



FEDERAL HIGHWAY ADMINISTRATION

Kansas Division
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February 6, 2002

Review of Kansas' Process
for Compiling and
Submitting Motor-Fuel
Data (MFD)

Mr. Stephen S. Richards
Secretary of Revenue
Docking State Office Building, 2nd Floor
Topeka, Kansas 66612-1588

Dear Mr. Richards:

The Federal Highway Administration (FHWA) performs periodic reviews of motor fuel statistics reporting as part of its Federal-aid highway program oversight responsibilities. There is increased emphasis on accountability in motor fuel reporting nationwide because fuel usage is an important factor in the apportionment of transportation funding under the Transportation Equity Act for the 21st Century (TEA-21) legislation.

Enclosed is a copy of the Kansas Division's Motor-Fuel Data Collection and Reporting Process Review report. No significant deficiencies were identified during the review; however, we have listed several recommendations on pages four and five of the report that we feel will strengthen the overall MFD program.

Copies of this report will be provided to Mr. Warren Sick of the Kansas Department of Transportation, and Mr. Barna Juhasz, Director of FHWA's Office of Highway Policy and Information. We very much appreciated the time and effort expended by Ms. Edie Martin and her staff who participated in the review. Please contact Mark Huffhines at 267-7299 extension 329 if you have any questions or need additional information.

Sincerely yours,

for David R. Geiger, P.E.
Division Administrator

Enclosure

Route to DRG, JGR, DAW, WRK, SHF before filing in 721.3



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Mr. Warren L. Sick, P.E.
Assistant Secretary and
State Transportation Engineer
Kansas Department of Transportation
Topeka, Kansas 66612

Dear Mr. Sick:

The Federal Highway Administration (FHWA) performs periodic reviews of motor fuel statistics reporting as part of its Federal-aid highway program oversight responsibilities. There is increased emphasis on accountability in motor fuel reporting nationwide because fuel usage is an important factor in the apportionment of transportation funding under the Transportation Equity Act for the 21st Century (TEA-21) legislation.

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Copies of this report will be provided to Mr. Stephen Richards of the Kansas Department of Revenue, and Mr. Barna Juhasz, Director of FHWA's Office of Highway Policy and Information. We appreciated the participation of Mr. Reed Davis in our review. Please contact me at 267-7299 extension 329 if you have any questions or need additional information.

Sincerely yours,

Mark Huffhines
Planning Program Analyst

Enclosure

Route to DRG, JGR, DAW, WRK, SHF before filing in 721.3

Date: February 8, 2002

Subject: Review of Kansas' Process for
Compiling and Submitting
Motor-Fuel Data (MFD)

From: Planning Program Analyst
Topeka, Kansas

Reply To: HDA-KS

To: Mr. Barna Juhasz
Director, Office of Highway Policy and Information (HPPI-10)
Washington, D.C.

Attached is a copy of the Kansas Division's Motor-Fuel Data Collection and Reporting Process Review report as discussed in your July 24, 2001, memorandum. Copies have been furnished to the Kansas Departments of Revenue and Transportation.

No significant deficiencies were identified during the review; however, we have listed several recommendations on pages four and five of the report that we feel will strengthen the overall MFD program. It appears the Kansas Department of Revenue's motor-fuel data collection procedures are adequate which is reflected positively in the accuracy of their motor-fuel data reporting.

We appreciated the contributions made to this review by Messrs. Tom Howard and Ralph Erickson. Please contact me at (785) 267-7299 ext. 329 if you have any questions or if you need additional information.

Mark Huffhines
Planning Program Analyst

Attachment

Federal Highway Administration

Kansas Division



Motor-Fuel Data Collection and Reporting Process Review

Interim Report

November 29 – December 26, 2001

KANSAS

MOTOR-FUEL DATA COLLECTION AND REPORTING PROCESS REVIEW

November 29 – December 26, 2001

BACKGROUND

Motor-fuel data (MFD) became an important factor in determining Highway Trust Fund distributions as a result of the 1998 Transportation Equity Act for the 21st Century (TEA-21). In most States, MFD is collected and submitted to the Federal Highway Administration (FHWA) by either the State Department of Revenue or State Department of Transportation. The FHWA region offices often took the lead in the past on MFD reviews; however, as a result of the restructuring of FHWA, the division offices now have primary oversight responsibility of motor-fuel data reporting. Each division office has been requested to complete an initial in-depth review of its State's process for compiling and submitting motor-fuel data. In addition, each division office is to develop an oversight plan to ensure the quality of subsequent MFD submissions. Headquarters, and possibly Resource Center staff, will provide the training and technical assistance necessary to carry out the oversight activities. This report documents the results of the recently completed Kansas review.

SCOPE

The review evaluated the collection of motor-fuel data, as well as the review and submission process from receipt or collection by the Kansas Department of Revenue (KDOR) through acceptance of the data by the FHWA Headquarters office. The review also provided a forum for the involved organizations to discuss motor-fuel data reporting and issues among its representatives. Copies of the review guidelines and questions used are attached to this report.

APPROACH

A multi-agency team composed of representatives from the Kansas Department of Transportation (KDOT), the Internal Revenue Service (IRS) and the Federal Highway Administration reviewed and evaluated the KDOR motor-fuel data collection and submission process. Data gathering was through round-table discussion, individual interviews and review of documentation and reports.

REVIEW AGENDA

Preliminary contact was made with Ms. Edie Martin, Public Service Executive, Customer Relations, Kansas Department of Revenue, to set a review time and date. Subsequently, a discussion of the guidelines and procedures was held on November 29, 2001, 8:30 A.M., at the KDOR Office, 915 SW Harrison Street, Topeka, Kansas. Additional discussions and review activities were held with Patricia Platt, Cindy Mongold, and Steve Neske, as well as the KDOT and KDOR audit staffs.

PARTICIPANTS

FHWA:

Thomas Howard, Chief, Highway Funding and Motor Fuels, Washington, DC
Byron Low, Statewide Planner, Midwest Resource Center, Olympia Fields, Illinois
Don Wilson, Transportation Finance Manager, Topeka, Kansas
Steve Foust, Assistant Planning and Research Engineer, Topeka, Kansas
Mark Huffhines, Planning Program Analyst, Topeka, Kansas

IRS:

Vic Brown, Revenue Agent, Wichita, Kansas

KDOR:

Edie Martin, PSE I, Division of Tax Operations, Customer Relations, Topeka, Kansas
Cindy Mongold, PSA II, Oil, Gas and Petroleum (OGP) Segment, Topeka, Kansas
Patricia Platt, PSA II, Motor Carrier (MC) Segment, Topeka, Kansas
Steve Neske, Financial Economist, Office of Policy and Research, Topeka, Kansas

KDOT:

Reed Davis, Assistant to the Director, Division of Administration, Topeka, Kansas

LIST OF ATTACHMENTS

1. Juhasz 7/24/01 Memo to FHWA Division Administrators on FHWA Oversight of Motor-Fuel Data
2. Motor-Fuel Reporting Information Committee *"Achieving Quality Results"*
3. Kansas Motor-Fuel Data Collection and Reporting Work Plan
4. Kansas Guidelines for Kansas Motor-Fuel Data Collection and Reporting Review
5. Kansas Follow-up Review Questions
6. *Your State's Share: Attributing Federal Highway Revenues to Each State*
7. Federal Register Notice on Motor Fuel Reporting Assessment with KDOR's Response
8. Chapter 2 - Reports Identifying Motor-Fuel Use and Taxation and Preparation for Motor Fuel Reviews
9. Federation of Tax Administrator's (FTA) Survey of Native American Issues
10. Initial Meeting Agenda and Attendance Form
11. KDOR's Review Package
12. Kansas Interagency Transfer Between KDOT and KDOR
13. KDOT 2/9/01 Memo to KDOR Requesting FHWA-556 Report
14. Performance Audit Report – Kansas Legislative Division of Post Audit
15. KDOR Audit Bureau Distributor Audit Guide
16. FHWA Review of Kansas Motor Fuel Reporting, 12/22/98
17. Kansas Statute 79-3416, Transportation of Fuels
18. Carlson 3/8/99 Memo to Horsley Regarding a State Motor-Fuel Survey with accompanying 2/19/99 Juhasz Memo to FHWA Division Administrators

DISCUSSION AND COMMENTS

Review of the MFD process had four objectives: determining if motor-fuel data reporting is in conformance with the requirements in *A Guide to Reporting Highway Statistics*, identification of any “best practices” that could be shared with other States, suggestions for improvements, and to improve FHWA’s understanding of the State’s motor-fuel taxation data reporting process. It focused primarily on the completion of the monthly forms and annual reporting to FHWA and on the procedures the State uses in reporting this information to FHWA/IRS. The Policy and Review guidelines for field reviews and motor fuel reporting were used, but in Kansas we also looked at the validity of the information and the reliance that could be placed upon it. The entire reporting process was evaluated (i.e., from the submittal of the data to the State, what is done with it and how it is processed into the State's information systems, how the FHWA-551M and FHWA-556 reports are generated, overview/audit coverage of the system by others including State auditors, KDOT internal auditors, and peer reviews). We also evaluated the level of contacts and cooperation in Kansas between the Kansas Department of Revenue and the Kansas Department of Transportation as to the identification of any problems or recommendations that could be made.

Unless the information feeding the system is accurate, and/or unless it is processed correctly, the end result will be incorrect data in the information reported. By going to the lower levels in the organization we verified if what the producers of the FHWA-551M and FHWA-556 reports were telling us was in fact what was actually happening. Often, one level of an organization does not know what is happening in another section or level in that same organization. We looked for possible breakdowns in the MFD reporting process.

We examined the overall process, from receipt of the monthly reports by KDOR of the terminal racks and first line distributors, to reporting to FHWA, and assessed the integrity and controls over the process to assure that the data being reported was accurate and that their process was adequate.

Part of our review involved meeting with the KDOR employees who actually received and processed the monthly reports. We discussed and walked through a demonstration of their processing of the reports and inputting of the data, evaluated the adequacy of review and oversight, data entry and timeliness, system edits, adjustments, errors found, and problem correction.

We met with KDOR internal and external audit staff to determine KDOR audit oversight over the MFD program. Discussion included problems noted, findings, follow-up, frequency and adequacy of audit, and corrective actions taken. We also reviewed outside audit reports of the MFD program that were performed by the Kansas Legislative Division of Post Audit and the International Fuel Tax Agreement (IFTA) peer review report (i.e., findings and recommendations, corrective actions taken).

OBSERVATIONS/RECOMMENDATIONS

Note: Recommendations are in **bold** type.

1. The KDOR has an External Audit unit that is responsible for auditing fuel tax refund applications and first-level fuel distributors. The "Team" is confident that monitoring procedures of the fuel tax reporting side of KDOR are sufficient to discover problems with returns if any exist. Under current procedures, rack reports are compared/cross-checked to the reports submitted by the distributors. The auditors are highly confident that the control systems in place are very good at preventing fraud and ensuring compliance.
2. Audit report findings by the KDOR External Audit Team in the past have always appeared as "human-error" type problems. Suspected fraud is immediately turned over to the Kansas Alcohol Beverage Commission (ABC) for enforcement. Follow-up on audit report findings is only done if the auditor suspects that the distributor will ignore the report, otherwise they wait for audit referrals. Fuel tax reporting and audits are peer-reviewed on a four-year cycle under their IFTA and International Registration Plan (IRP) agreements. There have been no recent internal audits by KDOR staff of its fuel tax reporting and and/or auditing. **We recommend that an internal audit by the KDOR audit staff be performed as time permits.** The Kansas Legislative Division of Post Audit last reviewed KDOR fuel tax reporting in 1994.
3. The Excise Tax Online Exchange (EXTOLE) is a newly developed nationwide data entry system for the reporting of licensing information of all fuel licensees, contacts, diversions and truck sightings for all States that update the system. Once implemented nationwide it will allow States to access information on all fuel licenses for suppliers, distributors, importers, exporters and any other fuel licensees, contacts, diversions, and truck sightings within the United States. The State of Kansas began on-line testing of the system on January 17, 2002.
4. The Excise Summary Terminal Reporting System (EXSTARS) is a nationwide reporting system for terminals to report fuel information directly to the IRS and will eventually replace the mailing of individual manifests to KDOR by the racks and distributors. Kansas expects to implement the system for testing in February or March of 2002 and begin a testing period of at least one year.
5. The EXTOLE and EXSTARS systems were originally expected by KDOR to have been implemented in 1999. KDOR, in anticipation of the systems, reorganized and revised its review procedures of the reports and manifests submitted to its OGP Segment. Since that time reviews have been on a more limited basis in anticipation of the greater controls and edits that are contained within the two new data reporting systems; however, if implementation of the systems are further delayed, **KDOR should consider re-establishing or increasing their review efforts until the systems are in place and operating efficiently.**

6. KDOR presently has its own data entry system for the collection of manifest information, the "Kansas Motor Fuel Distributor System". Manifest information at this time is still received via hard copy and is not being keyed into KDOR's matching system as they are awaiting the manifest information to be sent electronically through EXSTARS. KDOR receives information from distributors on approximately one-third of the manifests but no matching is being completed at this time. The Department of Revenue bills on net gallons and allows a two and one-half percent handling-shrinkage allowance.
7. **Personnel from the Motor Carrier (MC) and Oil, Gas and Petroleum (OGP) Segments offered the following recommendations:**
 - a. **The FHWA Kansas Division needs to maintain more frequent contact with the KDOR MC and OGP Segments to facilitate communication and the exchange of information on a current basis.**
 - b. **A local FHWA presence at national and regional meetings (e.g., FTA, NETASK, Uniformity) is desired. The FHWA Washington Office may attend but KDOR would appreciate having Kansas Division representatives in attendance.**
 - c. **The FHWA Kansas Division needs to be placed on the mailing lists of these organizations so as to be aware of the various meetings scheduled.**
8. The KDOR's Division of Tax Operations felt the informal review process with its team environment approach initiated beneficial group discussion. The parties involved agreed to the importance of continually identifying improvement opportunities.
9. The Kansas Department of Transportation funds (through an interagency transfer between the State Highway Fund and the Division of Vehicles Operating Fund) the activities of the Department of Revenue involved in the enforcement, collection and related operations of the motor fuel taxes, vehicle titles and registration and driver's licenses. The amount of the transfer is established during the Kansas legislative budget process. KDOT participates only in a passive manner in the MFD process. They have an individual assigned to monitor the filing of the FHWA-551M and FHWA-556 reports with the FHWA.
10. As a result of the review, KDOR will begin transmitting its monthly FHWA-551M report electronically to the FHWA Headquarters office.
11. We found KDOR's procedures to be adequate with no major problems noted; however, we **recommend that formalized written procedures and a flow-chart of the entire motor-fuel data collection process be developed as soon as possible as a mechanism for ensuring motor-fuel data is accurately and consistently reported.** It was noted that informal written procedures exist for completing the FHWA-551M report. We would **encourage the KDOR audit staff to select a monthly FHWA-551M report at random and review it for accuracy.** We would **encourage closer communication be maintained within KDOR between the MC and OGP Segments and the KDOR office actually reporting fuel and tax information to KDOT and the FHWA.**

FOLLOW-UP ACTIVITIES

1. Work with the Kansas Department of Revenue on establishing a timeframe for/and completion of recommended actions found in the “Observations/Recommendation” section of this report.
2. Work with the Kansas Department of Revenue to identify “triggers” (i.e., changes in State or Federal legislation, changes in KDOR’s procedures, IFTA concerns, internal audits performed, changes in policy, etc.) for future motor-fuel oversight review activities.

CONCLUSION

No significant deficiencies were identified during the review. Good communication is being maintained between the Kansas Department of Revenue staff and the FHWA’s Office of Highway Funding and Motor Fuels in Washington, D.C. It appears the Kansas Department of Revenue’s motor-fuel data collection procedures are adequate which is reflected positively in the accuracy of their motor-fuel data reporting.

Memo

To: FHWA Division Administrators
From: Barna Juhasz
Director, Office of Highway Policy Information
Date: 7/24/01 (Original memo had date field that updates to current date when opened!)
Re: FHWA Oversight of Motor-Fuel Data

As a result of TEA-21, your State's motor-fuel data and Highway Trust Fund attributions have become its most important formula factors in determining fund distribution.

With support of your Division Administrator's Council, a working group of FHWA met May 3-4 to discuss options and make recommendations related to the oversight of State-reported subject data. (See Attachment for White paper and Working Group Members)

The group recommended that the FHWA division office should have primary oversight responsibility. The group further recommended that by September 30, 2002 each division should complete an initial in-depth review of its State's process for compiling and submitting motor-fuel data to FHWA. Based on results of the initial in-depth review, each division would develop an oversight plan and annual report on activities. Currently, several Divisions (Kansas, New York, and Washington) have agreed to be "pilot" Divisions for these reviews. We welcome others "volunteer pilots".

As you are in the process of preparing FY 2002 work plans and budgets, I would also bring to your attention training on "Motor-Fuel Reporting and Oversight" which we plan to offer to your staff and State data providers during winter 2002, perhaps with sessions in Atlanta and Chicago. This advance notice on training is "heads up" for now; however, I will furnish specific details on this before September 30, 2001.

To support reviews, our office will provide the maximum support possible and include this oversight effort and support role in my FY 2002 SUPPS (Share Unit Performance Plan Systems). I look forward to working with you as FHWA defines its State oversight role in the area of State data impacting Federal funds. Please feel free to call Tom Howard at 202-366-0170, or me if you have any questions on this matter.

White Paper
Oversight of State-Reported Motor Fuel Data

Purpose: **To develop oversight guidance for ensuring that motor fuel data (MFD) is accurately and consistently reported by the States.**

Background:

Three factors are influencing the need for issuing new oversight guidance: 1) under current legislation approximately \$12 billion is apportioned annually based on MFD, 2) the GAO has recommended that FHWA strengthen its oversight of States' submittals of MFD, and 3) in many cases, prior to restructuring, the region offices took the lead in the triennial reviews of the MFD submissions. A working group of FHWA field and Headquarters personnel met on May 3-4, 2001, to discuss options and make recommendations related to oversight of State-reported MFD. (See Attachment for list of the members.)

Issue: **Which offices should be involved in the oversight of State-reported MFD?**

Discussion:

Since the MFD comes from either the State department of revenue or State department of transportation, the division office should have the primary oversight responsibility. The Headquarters staff, possibly in collaboration with the Resource Center staff, should provide the training and technical assistance necessary to carry out the oversight activities. In addition, Headquarters staff can assist by providing the division offices with feedback resulting from their analysis of the State-reported MFD.

Issue: How should oversight be conducted?

Discussion:

It is not envisioned that the oversight of MFD will be a resource intensive activity. The level of oversight of State-reported MFD should be determined on a case-by-case basis based on a risk assessment. However, because most division offices have had minimal exposure to this area in the past and because of the importance MFD play in determining apportionments, it would be appropriate for most division office to conduct an initial in-depth review in order to assess and document the State's MFD collection and reporting processes. Headquarters staff can assist with this initial review by providing each division office with a detailed evaluation of the State's previous years' submissions, including specific comments on recurring quality issues.

The results of the initial review should be used to develop a plan for future oversight activities. The division administrators should provide Headquarters with an annual summary of the past year's oversight activities and a statement regarding the acceptability of the State's MFD submission. This information will be used to support the annual report on MFD oversight activities that FHWA is required to submit to Congress, as outlined in the GAO report.

Recommendations:

1. The division offices should have primary responsibility for oversight of MFD submissions.
2. Headquarters comments or concerns with State submissions will be directed to the division office and will not be provided directly to the State. The division office will be responsible for follow-up of identified issues.
3. Prior to September 30, 2002, each division office should complete an initial in-depth review of the State's process for compiling and submitting MFD. Headquarters will provide review guidance to the division offices. Significant findings from the review will be provided to Headquarters.

4. Based on a risk assessment of the results of the review, each division office will develop an MFD oversight plan.
5. The division administrator will provide an annual summary of the past year's oversight activities and a statement regarding the acceptability of the State's MFD submission. This information will be used for the annual report to Congress.

**FHWA Oversight of State-Reported Motor Fuel Data
Working group Members**

Nicholas Graf, North Carolina Division Administrator
John Rohlf, Kansas Assistant Division Administrator
David Dickson, Washington Division Office Financial Manager
Steve Rapley, Maryland Division Office Planner
Sheri Koch, Minnesota Division Office Financial Manager
Ivan Rucker, Virginia Division Office Planner
Frank Vickers, Tennessee Division Office Financial Manager
Tom Kearney, New York Division Office Planner
Scott Frey, Idaho Division Office Planner (not present at this meeting)

Tom Howard, Leader, Highway Funding and Motor Fuel Division
Ralph Erickson, Transportation Specialist
Marsha Reynolds, Transportation Specialist



Motor-Fuel Reporting Information Committee

Achieving Quality Results

What: The Federal Highway Administration (FHWA) is initiating a review of its motor-fuel reporting structure (*Chapter 2 of Guide to Reporting Highway Statistics*). As part of this review, FHWA is seeking information from State data reporters and other experts in this subject matter, including the American Association of State Highway and Transit Officials (AASHTO) and the Federation of Tax Administrators (FTA). FHWA will consider this information and other information as background to make improvements to the current reporting structure, and for inclusion in future instructions to the States for reporting motor-fuel data.

Why: The current motor-fuel reporting structure has served apportionment and information needs very well. However, the more extensive use of motor fuel data for apportionments under Federal legislation suggests that up-dating and improving the current reporting structure is necessary. While improvements in the current structure have been made, a number of reporting issues remain imperfectly resolved.

Who: The participants would include State subject matter experts from both transportation and revenue areas as well as AASHTO, FTA and others. FHWA Headquarters and field staff would also participate.

When: The following is a tentative timetable:

- *September, 1998* - Committee formed;
- *October - November, 1998* - Background materials prepared;
- *December, 1998* - Committee meets and makes recommendations;
- *January - March, 1999* - FHWA considers recommendations and revises operating instructions *Guide to Reporting Highway Statistics*;
- *August, 1999* - Committee meets and gives feedback on FHWA instructions.

Motor-Fuel Reporting Information Committee

Achieving Quality Results

General - The motor-fuel data provided by the States to the Federal Highway Administration (FHWA) is widely considered to be the most complete and accurate information on highway gasoline and diesel fuel available from any source. These statistics are used extensively by FHWA, the Department of Energy (DOE), other Federal agencies, States, and others to monitor the demand for, and distribution of, petroleum products. Fuel use is of interest not only in terms of gallons consumed, but also in terms of revenues generated by taxes on fuels. Taxes on motor-fuel at both the Federal and State level are a primary source of highway funds. In 1997, Federal and State highway user taxes funded more than 60 percent of the national highway program. Motor-fuel taxes account for about three-fourths of that amount. Fuel consumption is also used as

a key analytical input for important transportation and economic indicators such as travel, fleet fuel efficiency, etc.

Because the FHWA data is collected monthly, its importance can be magnified in times of crises. Fuel crises can arise quickly and without warning. In these situations, FHWA monitoring of fuel on a monthly basis provides one of the most timely sources of data on motor fuel use changes. Both DOE and FHWA depend on this source of data in times of fuel emergencies.

Since FY 1984, motor-fuel data has also been used in the apportionment of Federal-aid highway funds. Currently, State-reported highway motor-fuel data is used to attribute Highway Trust Fund estimated tax payments of gasoline, gasohol, and special fuel tax payments of highway users, and to attribute estimated payments of truck tire, heavy vehicle use, and truck and trailer sales taxes, in each State (the methodology was published in the Federal Register on June 21, 1985 and described in Highway Information Updates of July 29, 1996 and August 10, 1998 -- a copy of the 1998 Update is attached).

Under the Transportation Equity Act for the 21st Century (Public Law 105-178) (TEA-21), selected items from these data are used in the apportionment of Federal Surface Transportation Program funds, National Highway System funds, Interstate Maintenance funds, and the Minimum Guarantee calculation. The following shows the use of these factors in FY 1998:

- Total Highway Trust Fund payments are a 35 percent factor for about \$1.6 billion in FY 1998 Surface Transportation Program funds;
- Diesel fuel used on highways is a 30 percent factor for about \$1.2 billion in FY 1998 National Highway System funds; and
- Commercial vehicle contributions are a 33.3 percent factor for about \$1.1 billion in FY 1998 Interstate Maintenance funds.

The Minimum Guarantee analysis, which ensures that States receive at least 90.5 percent of their Highway Trust Fund percent contribution was funded at almost \$5.4 billion in FY 1998. The increased importance of motor fuel data in determining these factors suggests that FHWA continue to re-assess and improve its motor-fuel reporting procedures.

Earlier FHWA Improvements - FHWA continuously seeks to improve its data series to reflect the general state-of-the-art in data collection and analyses, and to meet evolving demands made on the data. In anticipation of Federal re-authorization legislation that would make more extensive use of the motor-fuel legislation, FHWA took a number of steps to ensure the quality and consistency of the data. These include several notices to the FHWA field advising of possible changes, issuance of new guidelines for FHWA field review of State motor-fuel reporting, and sponsorship of three major training sessions which reached more than 100 State data providers and FHWA field staff in 30 locations.

Goals - Based on feedback from the States and FHWA's own analyses, a number of reporting issues have been identified. FHWA, in cooperation with its partners in the States and others, proposed to re-assess its motor-fuel data series with the following objectives in mind:

- Achieve more accurate, consistent, and timely motor-fuel reporting to support Federal fund apportionment and other decision needs;
- Revise FHWA's Guide to Reporting Highway Statistics (Chapter 2 - "Reports Identifying Motor-Fuel Use and Taxation") to reflect changes and improvements to the motor-fuel data series;
- Improve the knowledge base of State data providers and FHWA field staff to help them meet FHWA information needs; and

- Facilitate dialogue between FHWA and State data providers so that best interests of all are recognized.

Data Issues - FHWA, and the States, have identified a number of issues and areas where additional and improved discussion, instructions, and advice to the States may result in improved reporting. Those issues identified by FHWA and the States as most important are listed below. This list may be expanded as needed.

Issue: Reporting of Public Use of Diesel Fuel

Background

TEA-21 provides that 30 percent of National Highway System funds be apportioned on "total diesel fuel used on highways" (Section 1103 b). Thus, a chief purpose of State motor-fuel reporting and FHWA motor-fuel analyses is to develop data (either reported, or modeled if necessary) on highway use of motor-fuel for attribution of Federal funds and for publication in tables in Highway Statistics. Ideally, FHWA would include actual public (government) use of diesel fuels as part of highway use.

Current Situation

Because most States cannot separately identify public use of diesel motor-fuel, FHWA has chosen to show only private and commercial diesel fuel in its consumption tables. This choice is, in part, dictated by a desire to treat all States equitably.

Possible Improvements

FHWA's reporting structure is not capturing public use of diesel motor-fuel. Some States may be inadvertently including public use of diesel in their reports to FHWA. Is there a way to capture public use of diesel in FHWA reports from all States? Do we need to estimate public use of diesel using statistical modeling techniques?

Issue: Accounting for Motor Fuel Losses

Background

Inventory losses of motor fuel for tax accounting purposes include occurrences such as storage tank leakage, destruction by fire or other means, spillage, meter faults, and measurement differences due to temperature and evaporation (often called shrinkage, but could be a gain in volume). An important objective of FHWA motor-fuel analyses is to show an accurate, consistent picture of highway use of motor-fuel for all States net of losses, because losses are not motor fuel consumption on the highway.

Current Situation

A number of States allow a flat percentage loss for gasoline, and some States allow for actual losses for tax accounting inventory. Currently, for those States that allow a flat percentage for losses, FHWA caps the loss at one percent of gross fuel reported. FHWA does not adjust or modify data for States that do not allow losses. This treatment might allow for minor "advantage" (higher total gallons) to those States that do not allow losses.

Possible Improvements

Two issues exist: should FHWA allow for losses at all? If yes, what percentage should be allowed, an FHWA-set flat percentage, whatever a State allows, or some other option?

Issue: Reporting of Alternative Fuels

Background

Alternative fuels are likely to be a growing segment of the motor fuel industry. Over the long term, alternative fuel growth could significantly skew motor fuel data as it is currently reported. FHWA would like to be able to recognize the highway use of various alternative fuels such as liquefied petroleum gases (LPG), liquefied natural gases (LNG), and compressed natural gas (CNG), in motor fuel reporting.

In the attribution of motor fuel data, gallons have been the traditional unit of measure of motor fuels, but many alternative fuels are compressed gases which must be measured in other units. The energy content of the alternative fuels, and their variance from traditional motor fuel energy content, also causes concern for motor fuel attribution.

Current Situation

Many States provide for the issuance of decals to vehicles that use alternative fuels. While receipts associated with these decals are reported on FHWA-556, no "credit" for highway use is shown in FHWA consumption tables.

Possible Improvements

How can the reporting of highway use of alternative fuels be improved in the near term? How can the reporting of highway use of alternative fuels be improved in the long term?

Issue: Definition of Diesel Fuel

Background

Since diesel fuel has become a direct legislative apportionment factor, FHWA would like to have more precise diesel motor-fuel data. Historically, FHWA has allowed States to report receipts for diesel fuel together with the receipts for small amounts of "other special fuels, and called the combined total "special fuels." These "other special fuels" include, in order of prevalence (most to least prevalent) LPG, CNG, LNG, 85 percent alcohol mixtures, and still other fuels.

Current Situation

Because the amounts of "other special fuels" are estimated to be very small (about 2 percent), and many States cannot separately identify them, FHWA has administratively determined that "special fuels" means the same thing as "diesel fuel."

Possible Improvements

What type of effort would be needed to dis-aggregate the special fuels from diesel fuel?

Issue: Accounting for Motor Fuel Sold on Indian Reservations

Background

Several States have problems reporting motor fuel sold on Indian reservations where no treaty exists between the State and the Indian tribe. In these cases, the gallons and associated revenues are not reported to FHWA, and the State attribution is therefore lower than it should be.

Current Situation

FHWA would prefer States to report gasoline motor-fuel sold on Indian reservations along with other motor-fuel sold in the State.

Possible improvements

What remedies exist for attributing motor fuel use for States without treaties and not able to report Indian Reservation use.

Issue: Accounting for International Fuel Tax Agreement Procedures

Background

The International Fuel Tax Agreement (IFTA) is a motor fuel accounting process now used in all States whereby motor carriers pay motor fuel taxes to their Base State (typically the State where the carrier's business headquarters is located) and report distances traveled in all States in which the motor carrier operates. On a quarterly basis, the States adjust tax revenues among themselves to allocate motor carrier tax revenue to the State in which the travel took place. It is not clear that all States are making appropriate adjustments to report IFTA amounts on a net basis -- that is, adding in credits for gallons (and revenues received) from other States, and subtracting out credits for gallons (and debiting out receipts) sent to other States.

Current Situation

FHWA would like States to correctly report net IFTA motor-fuel gallons and receipts.

Possible Improvements

FHWA needs to do a better job of educating States on the importance of incorporating adjusted IFTA data into their FHWA reports.

Issue: Accounting for Tax Assessments

Background

Assessments are taxes which the State determines, through audits or other reviews of taxpayer returns, that the taxpayer owes and did not previously report and pay. The fuel volume represented by assessments or late returns should be reported.

Current Situation

The current version of the Guide calls for reporting the fuel volume represented by assessments or late returns in the month in which payment is received, or on the first FHWA-551M submitted following the month in which this information becomes available. Assessments, however, are often delayed several months or years while lengthy appeals procedures are pursued. Some assessments are never fully collected because of non-recovery due to fraud cases, bankruptcy of the liable party, or other situations.

Possible Improvements

Gallons from audit assessments should be reported in the month collected, since it is unrealistic to adjust reports that may be many months or years old. Actual collections should be reported to assure that the appeals procedures are exhausted and the assessment is ultimately sustained before being included in the gallons reported. Assessments that cannot be collected should not be reported.

Other

Other issues not discussed above include timeliness of reporting, uniformity of motor fuel and tax accounting definitions, military use of motor-fuel, estimation procedure, exempt and refunded fuels, and cross border purchases of fuel with the associated potential for tax avoidance.

Conclusion

FHWA recognizes its partnership responsibilities to State data providers with respect to training, soft-ware, and instructions -- and will seek to work with this Committee to advance the quality of the data reported.

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United States Department of Transportation - **Federal Highway Administration**

Review of Kansas Motor-fuel Data Collection and Reporting

Purpose:

Provide assurance that motor fuel data (MFD) is accurately and consistently reported by the State.

Scope:

The review will cover the entire MFD collection, review, and submission process, from receipt or collection of MFD by KDOR through acceptance of the MFD by FHWA Headquarters.

Background:

As a result of TEA-21, MFD has become an important factor in determining Highway Trust Fund distributions. In most States MFD is collected and submitted to FHWA by either the State department of revenue or State department of transportation. In the past, in many instances, the FHWA Region offices took the lead on MFD reviews. However, as a result of the restructuring of FHWA, the division offices now have primary oversight responsibility of MFD. Each division office has been requested to complete an initial in-depth review of its State's process for compiling and submitting motor-fuel data. In addition, each division office should develop an oversight plan to ensure the quality of subsequent MFD submissions. Headquarters, and possibly Resource Center staff, will provide the training and technical assistance necessary to carry out the oversight activities. Subsequent to the initial review, oversight of State-reported MFD will be determined on a case-by-case basis based on a risk assessment.

Approach:

A multi-agency team will review the MFD collection and submission process. The team will map the current process, evaluate the process and make recommendations.

Team:

The review team will consist of representatives of the Kansas Division office, KDOT, KDOR and the IRS. Representatives from FHWA Headquarters and the MRC will also be invited to participate.

Schedule:

The review will be completed and final documentation prepared by December 7, 2001. In order to meet the completion date, the following milestones and corresponding dates have been established:

10/01 - Established team
10/15 - Prepare guidelines
10/31 - identify current process
11/15 - collect data
11/30 - evaluate/improve and document final process

Anticipated Outputs:

- Documentation of the process for compiling and submitting MFD for Kansas.
- A plan for determining future MFD oversight activities based on a risk potential.
- A mechanism for follow-up of issues, comments or concerns identified by Headquarters.
- An annual determination regarding the acceptability of the MFD submission.
- An annual summary of the previous year's MFD oversight activities to Headquarters.
- A copy of the team's report will be provided to the appropriate parties.

Revised 11/8/01

Guidelines for Kansas Motor-Fuel Data Collection and Reporting

I. General Issues

FHWA-551M

1. Who collects the data for the FHWA-551M report?
2. Who completes the 551M form?
3. When is the 551M report prepared and submitted?

The "Guide to Reporting Highway Statistics" provides for reporting not later than 90 days after the close of the month for which the data are being reported.

4. If the report is not transmitted within 90 days, what are the reasons? What improvements can be achieved to permit timely reporting?

Timely reporting of this information is critical.

5. Is the report submitted to the correct office?

The report should be submitted to:

*Federal Highway Administration
Office of Highway Policy Information (HPPI)
Suite 3306
Washington, DC 20590*

A copy should be furnished to the Kansas Division Office at the same time.

6. For which month should motor fuel gallons be reported?

Motor fuel gallons should be reported for the month during which the fuel was sold (or transferred), rather than the month tax collections were received.

7. Are gasoline and gasohol reported separately?

Gasoline and gasohol should be reported separately. If they are not, this should be cited as a deficiency. The State should be encouraged to report actual gasohol gallons; if this is not possible, then the State should develop an acceptable procedure for estimating gasohol gallons. Gasohol gallons reported in Column 2 should be excluded from gasoline gallons reported in Column 1.

8. Do gasohol gallons reported in Column 2 only include blends meeting the criteria established on page 2-3 of the Guide? Are you reporting the blends on page 2 of the Form?

Gasohol should include the three different types as defined by Federal law and identified as percentage by type on page 2.

Gasoline/alcohol blends include: alcohol produced from petroleum, natural gas, or coal. Gasoline/alcohol blends, of which the alcohol is less than 190 proof, or blends which have alcohol content of 5.7% or less by volume, should be excluded.

9. For other than diesel fuel, do gross gallons reported include:
- a) Sales to the U.S. Government (including military and National Guard)
 - b) Losses
 - c) Other classes of use (including aviation) that are partially tax-exempt or that are taxed at an initial rate lower than the general rate applicable to highway use?

For fuel other than diesel fuel, gross gallons reported should include all fuel except exports and dealer-to-dealer transfers.

Aviation fuel reported in gross gallons should include aviation gasoline only, not jet fuel. If aviation fuel can only be reported annually, please note on page 2. If the State cannot separate aviation gasoline from jet fuel, aviation use should be omitted entirely from the 551-M form, and should be accordingly footnoted on page 2. In addition, if aviation fuel is omitted from the 556 form, a note to that effect should appear on the 556 form each year. In these cases, FHWA will add in estimated aviation gasoline gallons from Department of Energy data.

10. Are diesel fuel gallons reported for highway use only?

On the 551M form only highway fuel use should be reported. For States that report total fuel use (highway, nonhighway, and losses), appropriate notes should be included on page 2 to explain losses and nonhighway use. If the State prefers, it may show the actual gross volume along with exempted and refunded fuel volumes and provide the detail necessary for FHWA to deduct losses as well as nonhighway and public use. A few States have more than one rate for taxing diesel fuel. In these cases, States should provide detailed information.

11. Do gross gallons reported for special fuel exclude public use (Federal, State and Local)?

Public fuel use (other than local transit use) should be excluded from gross gallons reported. It is apparent, however, that nonhighway public uses are difficult to determine. For example, in some States, diesel fuel is taxed at the retail level and gallons sold untaxed for public use may not be included in the State reporting system. To maintain comparability among States, Highway Statistics tables report use of special fuel excluding public use. States should include transit gallons in identifying how the fuel was taxed: at full rate, exempt, refunded partially refunded, or taxed at an initially lower rate.

12. Is inter-state motor-carrier fuel use properly accounted for on the Form? Explain how the State handles this.

Complete and accurate reporting of interstate motor-carrier fuel use is critical to an accurate presentation of total motor fuel use by States. The objective is to report fuel use by interstate motor carriers within the State. By coincidence, sales may equal use in some States; however, in most States, an adjustment (positive or negative) is necessary, based on interstate motor-carrier fuel use reports.

Under International Fuel Tax Agreement (IFTA) rules, Interstate motor carriers are required by States to report fuel purchased and used within the State. If a motor carrier uses less fuel in a particular State than it purchased in that State, excess taxes paid by the carrier are refunded. On the other hand, if a motor carrier uses more fuel in a State than it purchased in that State, the carrier must pay the additional taxes. The difference between fuel purchased in the State and fuel used in the State (obtained from all interstate motor carrier fuel use reports) is the amount that should be reported on the 551M form. As indicated in the Guide, and as discussed above, States should report both total fuel (gasoline and diesel) used within the State by interstate motor carriers. The difference is then added to or subtracted from the gallons reported by distributors and bulk users to their home-based State, and the States make payment adjustments among themselves.

13. Do any intra-state motor carrier filings affect revenue or gallons reported? Is this information included in the State's data? How are IFTA gallons reported?

14. Are assessments reported in line 1a for the month in which the assessments were made or the month in which the payment was received and noted on page 2.

Assessments are gallons that the State determines, through audits or review of taxpayer returns, that the taxpayer owes tax on and did not report as taxable gallons. They should be reported for the month that payment was received regardless of when the assessments were made. Some assessments may be reduced or canceled, requiring later adjustments of gallons for States that report assessments when made. It is common practice among States not to consider assessments as real gallons until payment is received.

15. Should the tax rates be entered on the January report and in any month in which a rate change becomes effective?

It is especially important to report changes in the tax rates for the month in which new rates became effective. The information on tax rates provided by the States is used to verify the accuracy of data obtained from other sources (e.g., Lexis-Nexis, Commerce Clearing House, etc.).

16. At what points are the State gasoline and diesel taxes collected?

Are taxes collected from: the terminal, the wholesaler or distributor, the retailer or end-user? Review Attachment A with the State and verify if the Attachment is correct. Provide corrections if necessary.

17. Has the State adequately documented motor fuel reporting and estimating procedures? Please describe procedures.

Reporting and estimation procedures used by the States in determining gasoline and net IMC use should be well documented. This is important to assure consistency of reporting on a year-to-year basis and to provide continuity as staff changes occur at the State. Copies of written procedures should be furnished to FHWA Headquarters along with a copy of the review.

18. Are gasoline "tax-exempt" and "fully refunded" uses handled in accordance with reporting instructions in the Guide?

19. Does the State have any continuing legal or enforcement issues affecting the collection of motor fuel taxes?

Examples of these types of issues include: untaxed motor fuel sales to the general public on Native American reservations, or unreported fuel shipped into the State from a neighboring State with lower taxes.

FHWA-556

1. Should motor fuel receipts be entered separately for gasoline and special fuels?

Receipts should be entered separately by fuel type. If no differentiation is made to the data processing by the motor fuel tax agency, a note should be added on page 2 of the Form indicating approximate amounts apportioned to each fuel type. This is especially important when the tax rates differ for gasoline and diesel fuel.

If the State omits aviation use gallonage from the 551M form due to an inability to segregate aviation gasoline from jet fuel in its tax reports, the receipts from aviation use should likewise be omitted from the 556 form, with an accompanying note explaining the omission FHWA will add in appropriate revenue corresponding to the estimated aviation gasoline gallonage it added to the 551M form.

2. Are entries in 1b, "All other receipts under Motor Fuel Tax Law," adequately identified?

This type of receipt should be identified with enough specificity so that FHWA will know how to classify/treat it in the analysis. For example, "Motor Carrier Road Tax" will be treated as a gallonage tax, whereas such items as "Truck Identification, Special Fuel Use Permits," etc. will be classified as "Other Related Receipts."

3. Are gasoline/diesel fuel revenues being reported on other 500 series Forms (for example, Form FHWA 571 which could include interstate/intrastate fuel usage)?

II. Audit-related Material (Performance Audit Report 94-39, May 1994)

Following are recommendations from the audit. Have the recommendations been implemented? Please explain.

1. To help insure that it is collecting all the motor fuels tax due the State, the Kansas Department of Revenue should thoroughly investigate options for improving controls over the collection of motor fuels tax and report its findings and recommendations to the 1995 Legislature. In investigating various options, the Department should take into account the cost-effectiveness of the controls to be implemented as well as the paperwork burden that could be created for the Department and the industry. At a minimum the options considered by the Department should include the following:

- a. Moving the point of taxation further up the distribution chain to the owner of the fuel at the terminal, and requiring those persons claiming exemptions to apply for a refund and submit documentation showing that fuel sales were tax exempt.
 - b. Leaving the point of taxation the same, but requiring that all out-of-State sales initially be taxable, and requiring those claiming exemptions to apply for a refund and submit documentation showing the fuel sales were tax exempt.
 - c. Leaving the point of taxation the same and requiring distributors' and transporters' reports to contain complete addresses showing where fuel was delivered.
 - d. Leaving the point of taxation the same and requiring retailers to provide reports of motor fuels purchased, or at a minimum, requiring them to keep records of the dates and amounts of fuel purchased from distributors so that Department staff could audit those records.
2. To ensure that it is in compliance with the statutes covering motor fuels tax, the Department should do the following:
 - a. Enforce the requirements contained in K.S.A. 79-3416 relating to motor carrier reporting.
 - b. Conduct annual audits of each distributor as required by K.S.A. 79-3419, or propose legislation to allow the Department more flexibility in determining when such audits should be conducted.
3. To help ensure that suspected cases of fraud can be thoroughly investigated, the Department should develop a coordinated system for identifying and investigating potential motor fuels tax fraud. This system should include specific steps to be taken if fraud is suspected, and clearly identify those staff responsible for completing each step.
4. To ensure that any errors in motor fuels tax returns are discovered and additional taxes due are billed in a timely manner, the Department should devote the resources necessary to eliminate the backlog of unprocessed motor fuels tax returns.

III. Flow-chart and Process

1. How are data collected from out of State?
2. How is fuel transported out of State handled?
3. What is the point of taxation?

4. What are the tax refund procedures available for fuel not used on highways?
5. What is the process from beginning to end?
6. Please make flow-charts and procedure manuals available to review members during the review.

IV. Administrative/Organizational Issues

1. Does an agreement exist between the Kansas Department of Transportation (KDOT) and the Kansas Department of Revenue (KDOR) specifying motor fuel collection and reporting responsibilities?
2. Are the original reported data audited? Who is responsible for the audit? How often is the data audited?
3. To avoid duplication of data entry effort and to ensure uniformly formatted submittals, the FHWA prefers that data be provided electronically using Microsoft Excel spreadsheets designed for various statistical forms including the FHWA-551M and the FHWA-556. Is it possible to link these to existing KDOR spreadsheets or otherwise provide the data using FHWA-provided spreadsheets?
4. It would be useful if KDOR would furnish to the review team a copy of their latest organizational chart.
5. Any new Kansas legislation regarding the collection of motor fuel data?

V. Survey of Native American Issues

A survey was conducted in October 1996, by the Motor Fuels Section of the Federation of Tax Administrators (FTA), and updated in December 1999. Information for Kansas did not appear in the report. The survey questions were:

1. What exemptions, if any, does your state allow Native Americans?
2. Does your state have agreements for the collection of taxes with all tribes who operate retail outlets selling tobacco, gas or diesel?
3. Does your state have a restriction on expenditures from the fuel tax fund (i.e. all revenues must be spent on road construction and maintenance)?
4. Does your state have a mechanism in place to ensure that tribal sales to are not subject to tax?

5. Is it a refund to the tribal member?
6. Has your state estimated the amount of fuel sold in the state that has not been subjected to the full state tax?
7. What are those estimates?
8. Is your state in litigation with the tribes regarding excise tax issues?
9. Is your state in active negotiations with the tribes regarding these issues?
10. Have you received complaints from citizens regarding untaxed sales by Native American retailers?
11. At what point is motor fuel taxed in your state?

Gasoline -
Diesel -
12. Is the one identified in question 11 considered the taxpayer, or are they an agent of the state, collecting tax from the end user on the state's behalf?
13. Contact person on this issue for your state:

VI. Follow-up Questions

1. Pending changes/procedures.
2. Streamlining possibilities (e.g., hard copy form submission vs. electronic).

KANSAS MFD FOLLOW-UP REVIEW QUESTIONS

Some of the questions we used for assessing and getting a feel outside of the original guidelines follow:

1. Reporting of information to the Department of Revenue:

Who reports fuel/tax data to the State? Electronically or by paper, how? Are reports filed timely? How does the State know this? How/does the State follow up on late filers? How cooperative are neighboring States in reporting/sharing data or responding to inquiries? Are the reports filled out completely or accurately? How are discrepancies, mistakes and/or omissions detected and followed-up on? Is this being done? Is staffing adequate? How many and how experienced? How many staff vacancies and for how long? What training has been given? Do these people understand the importance of the process? Are backlogs of reports waiting to be entered? What problems are being experienced with State and/or Federal regulations? What improvements are needed or being made? What procedures have changed recently? Why the change? What changes would they like to see or recommendations to suggest? How is implementation coming on the new national data reporting systems? What problems are being experienced? When reviewing forms, are they sufficiently detailed, understandable, how long does it take the State to review and enter data in to their systems? What does the State do with the data once it is entered? Who else is responsible for reviews? Are they aware of any audits of fuel reporting of the State? What action was taken in response to any findings?

2. Outside opinions, i.e., external and internal audit reports and peer reviews.

We reviewed these reports to get an idea of the process we would be evaluating. We asked the agency representatives if they had taken corrective action in response to any findings (why or why not); were various levels within the Department aware of the audit report? Were the problems continuing? Corrective action taken and responses of the people interviewed gave us an indication of over-all management commitment to quality reporting and support of the program effort. We talked to the KDOR external auditor regarding level of audit oversight of the field reporting entities (i.e., distributors, racks, etc.), findings, backlog, and staffing. We also talked to the KDOR internal auditors. The IFTA agreement provides for a periodic peer review of each member state's program. These reports are available for anyone to access at the IFTA website and would be a good starting place for background information before beginning a MFD review.

3. Our review of this portion of KDOR operations consisted of interviews with representatives of the Motor Carrier (MC) and Oil, Gas and Petroleum (OGP) Segments and a review of pertinent documentation and data entry systems involved in the submittal and recording of fuel and tax information. Our review evaluated KDOR internal controls, procedures and oversight over these operations that directly support the reporting of fuel and tax information to the FHWA. Typical questions and concerns were: Who reports fuel/tax information to the State? How are the reports filed, electronically or by paper? Are reports filed timely? How does the State know this? How does the State follow-up on late or problem filers? How cooperative are neighboring States in reporting/sharing data or responding to inquiries? Are the reports filled out completely or accurately? What types of problems are being experienced? How are discrepancies, mistakes and/or omissions detected and followed up? Is this being done? Is

staffing of the Segment(s) adequate (i.e., number of employees and their experience, number of vacancies and how long)? What training has been received? Do the employees understand the importance of the process and what is being reported? Are there backlogs of reports to be entered? What problems are being experienced with State/Federal regulations, requirements or procedures? What improvements are needed or they could suggest? Have any procedures changed; why? What does KDOR do with the data it receives? How is it entered in to KDOR reporting systems? Who does it? Are the systems adequate? Who reviews/verifies this data entry and what edits are there? How is implementation coming on the two new nationwide data systems? What problems encountered? Are they aware of any audit coverage of fuel/tax reporting? Are they aware of any action taken as a result of findings?

Although these questions may seem tedious, many were answered without asking the specific question, but by simply listening to those employees being interviewed.

YOUR STATE'S SHARE:

Attributing Federal Highway Revenues to Each State

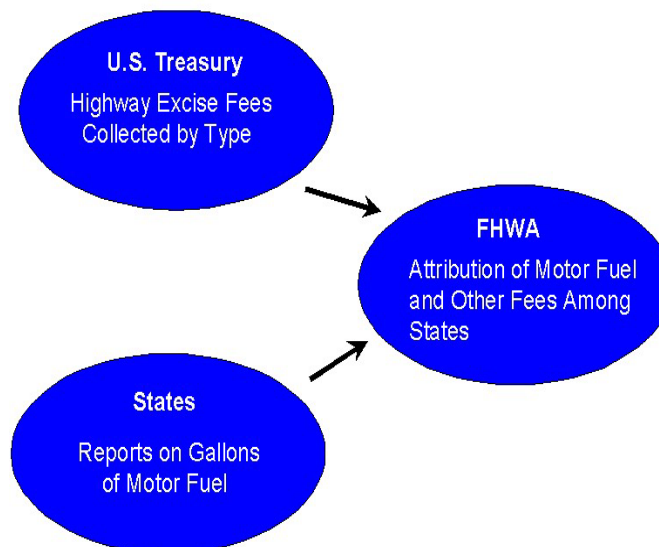


Introduction

Each year, highway users pay billions of dollars in highway excise taxes, which end up in the federal Highway Trust Fund. While motorists pay these taxes as they purchase the various taxed items, the US Department of Treasury actually collects most of these taxes from large corporations located in a handful of States and deposits the receipts into the Highway Trust Fund. Federal legislation generally requires that funds paid into the Highway Trust Fund, be returned to the States for various highway program areas in accordance with legislatively established formulas. Each State is guaranteed that at least 90.5 percent of its highway user percentage attributions to the Highway Account of the Highway Trust Fund will be returned to the State. Since contributions by the highway users in each state cannot be directly measured, procedures have been developed to attribute funds to the States.

The Highway Trust Fund includes a Highway Account and a Mass Transit Account. The Highway account is the primary source of revenues for Federal-aid funding returned to the States for carrying out various highway programs. Formulas for distributing Federal-aid highway funds for the Surface Transportation Program, the National Highway System, and for Interstate Maintenance use motor fuel and other excises attributed to each state as distribution factors. Given the large amounts of funds involved in these programs, the accuracy of the attribution process is critical. What Steps Are Needed to Attribute Receipts? The U.S. Department of the Treasury provides to FHWA documentation of the actual revenues received, by type of highway fee, into the Highway Account of the Highway Trust Fund. The states provide reports to FHWA on the gallonage of motor fuel recorded and taxed in each state, by type of fuel. FHWA, in cooperation with the states, has developed procedures to attribute revenues. The FHWA analyzes the State generated data and develops the final attribution estimates for the states based on the state data.

Motor Fuel Attribution



What Revenues Are Collected into the Highway Account?

Net Highway Account Revenues for 1999 have been estimated as follows by source:

Fee Category	Amount (\$ Millions)
Gasoline	\$20,800
Gasohol	\$1,256
Diesel and Special Fuel	\$7,719
Truck and Trailer Sales	\$2,810
Truck Tires	\$416
Heavy Vehicle Use	\$814
Fines and Other	\$8
TOTAL	\$33,823

How Are Federal Highway Taxes and Fees Collected?

The Treasury Department collects federal excise taxes. Most federal highway user taxes are not collected directly from the highway users in each state, since most collections are from large corporations. The Treasury Department lacks information which allows the attribution of the taxes to highway users in each state. The only fee collected directly from users is the federal heavy vehicle use tax. However, this is paid by the vehicle owner, and the address of the vehicle owner is not equivalent to where the vehicle is used. The Treasury Department estimates all of the Highway Account receipts by type, and provides this information to the FHWA. There is a time lag in this reporting, and the Treasury Department may revise its estimates of the fees collected before announcing a final certified amount.

How Are Highway Account Revenues Attributed to the States?

The FHWA and the states have developed a set of procedures for allocating Highway Account revenues to the highway users in each state. The attribution relies on state reports of the consumption of each type of motor fuel: gasoline, gasohol, special fuels (mostly diesel), and other alternative fuels. States report on fully taxed fuels, exempt sales, partially exempt sales, full and partial refunds, and fuels taxed at reduced rates. Attributions are made separately for gasoline and gasohol, based predominantly on the state reports. FHWA includes government use of gasoline in gasoline attributions, but excludes government use of diesel fuel in diesel attributions. There are federal fees assessed on heavy vehicles which are not fuel taxes. These include a tax of 12 percent on the retail prices of truck sales for vehicles with over 33,000 pounds gross vehicle weight, and for truck trailer sales of over 26,000 pounds gross vehicle weight; a graduated tax on heavy tires of 15 cents per pound over 40 pounds, plus 30 cents per pound over 70 pounds, plus 50 cents per pound over 90 pounds. A heavy vehicle use tax is applied to trucks of 55,000 pounds and over gross vehicle weight, at \$100 plus \$22 dollars per 1,000 pounds in excess of 55,000 pounds, with a maximum of \$550 per truck. These non-fuel based fees are attributed to the states in the same proportions as special fuels are attributed to the individual states.

What Steps Does FHWA Currently Take to Treat State Data Consistently?

Because of differences in State legislation and administrative procedures, the data collected and submitted to FHWA by states differ. State agencies which originally collect the information may not be the State Departments of Transportation. FHWA must make adjustments to the state motor fuel data to account for public use of gasoline, gasoline losses, and special fuels used off highway and for public uses. FHWA has developed a series of models to account for these factors as equitably as possible among the states.

What Plans Exist to Assure that Attribution Is Accurate and Equitable?

As a result of its own reassessment of motor fuel reporting, FHWA has developed an action plan to improve the accuracy of the motor fuel data. This action plan will be implemented over the years 2001 and 2002, and includes improved documentation, improved data tools, stronger process oversight, and possible use of the Treasury Department's new fuel tracking system, the Excise Files Information Retrieval System (EXFIRS) as a verification tool. For further information about the attribution of revenues, please contact the FHWA Division Office in your state.

For more information contact Ralph.Erickson@fhwa.dot.gov or phone (202) 366-0180.

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Issued on: August 10, 2000.

Walter L. Sutton, Jr.,

Federal Highway Deputy Administrator.

[FR Doc. 00-20940 Filed 8-16-00; 8:45 am]

BILLING CODE 4910-22-P

DEPARTMENT OF TRANSPORTATION

Federal Highway Administration

[FHWA Docket No. FHWA-2000-7635]

Highway Motor Fuel Reporting Reassessment; Public Workshop

AGENCY: Federal Highway Administration (FHWA), DOT.

ACTION: Notice; public workshop; request for comments.

SUMMARY: The FHWA presents this statement of proposed policy regarding the methodology to be used by the FHWA for estimating Highway Trust Fund (HTF) receipts attributable to the States. This motor fuel attribution process is used in determining the distribution of Federal-aid highway funds in three large highway programs and the minimum guarantee. The purpose of this policy announcement is to provide information on the FHWA's proposed changes to reporting of motor fuel data from the States to the FHWA, and to gather comments on potential changes to the reporting procedures. Also, a one-day workshop will be held to assist individuals who wish to know more about the procedures and to discuss this subject matter.

DATES: Comments on the proposed policy must be received on or before October 30, 2000. The public workshop will be held on October 5, 2000, from 8:30 a.m. to 5 p.m., e.t., Washington, DC 20590-0001.

ADDRESSES: Mail or hand deliver comments to the U.S. Department of Transportation, Dockets Management Facility, Room PL-401, 400 Seventh Street, SW., Washington, DC 20590, or submit electronically at <http://dmses.dot.gov/submit>. All comments should include the docket number that appears in the heading of this document. All comments received will be available for examination and copying at the above address from 9 a.m. to 5 p.m., e.t., Monday through Friday, except Federal Holidays. Those desiring notification of receipt of comments must include a self-addressed, stamped postcard or you may print the acknowledgment page that appears after submitting comments electronically.

The workshop location is the Capitol Hill Holiday Inn, 550 C Street SW.,

Washington, DC. For details on registration and hotel accommodation information, and to make reservations to attend this meeting, please contact Ms. Gina Burge of Harrington-Hughes and Associates, Inc. at (202) 347-3511 by September 21, 2000.

FOR FURTHER INFORMATION CONTACT: Mr. Tom Howard, Office of Highway Policy Information, (202) 366-0170; or Ms. Gloria Hardiman-Tobin, Office of the Chief Counsel, HCC-32 (202) 366-1397, Federal Highway Administration, 400 Seventh Street, SW., Washington, DC 20590-0001. Office hours are from 8 a.m. to 5 p.m., e.t., Monday through Friday, except Federal holidays.

SUPPLEMENTARY INFORMATION:

Electronic Access and Filing

You may submit or retrieve comments online through the Document Management System (DMS) at: <http://dmses.dot.gov/submit>. Acceptable formats include: MS Word (versions 95 to 97), MS Word for Mac (versions 6 to 8), Rich Text File (RTF), American Standard Code Information Interchange (ASCII) (TXT), Portable Document Format (PDF), and WordPerfect (versions 7 to 8). The DMS is available 24 hours each day, 365 days each year. Electronic submission and retrieval help and guidelines are available under the help section of the web site.

An electronic copy of this document may also be downloaded by using a computer, modem and suitable communications software from the Government Printing Office's Electronic Bulletin Board Service at (202) 512-1661. Internet users may also reach the Office of the **Federal Register's** home page at: <http://www.nara.gov/fedreg> and the Government Printing Office's web page at <http://www.access.gpo.gov/nara>.

The "Guide to Reporting Highway Statistics," is available for review at the URL: <http://www.fhwa.dot.gov/ohim/ghwystat.htm>. Additional information on the Internal Revenue Service (IRS) projects Excise Files Information Retrieval System (ExFirs) and Excise Summary Terminal Activity Reporting System (ExSTARS) may be found at the URL: <http://www.taxadmin.org/fta/mf>.

Background

Under the Transportation Equity Act for the 21st Century (TEA 21)(Public Law 105-178, 112 Stat. 107(1998)), motor fuel data are used in the apportionment of Federal Surface Transportation Program (STP) funds, National Highway System (NHS) funds, Interstate Maintenance (IM) funds, and the minimum guarantee program funds. About \$11.3 billion annually are

apportioned based on State-reported motor fuel data. The following shows these factors for fiscal year (FY) 2000:

- Highway Trust Fund payments to the highway account are used as a 35 percent factor for distributing about \$5.4 billion in FY 2000 STP funds.

- Diesel fuel used on highways is used as a 30 percent factor for distributing about \$4.6 billion in FY 2000 NHS funds.

- Commercial vehicle contributions to the highway account are used as a 33.3 percent factor for distributing about \$3.8 billion in FY 2000 IM funds.

- The minimum guarantee, under which each State is guaranteed that its share of apportionments and funding for highway priority projects will be at least 90.5 percent of its share of contributions to the highway account of the Highway Trust Fund, is estimated to be about \$6.7 billion in FY 2000.

The current process for attributing motor fuel data was formulated in 1985. In the policy statement published on June 21, 1985, under FHWA Docket No. 85-13, at 50 FR 25812, FHWA established highway use of motor fuel as its attribution basis, and defined a new method to attribute the non-fuel truck taxes (the tire, truck and trailer retail excise, and heavy vehicle use taxes), using special fuels as the attribution factor. Prior to this change, truck vehicle registrations had been used as the attribution factor for these taxes. These changes were in response to the Surface Transportation Assistance Act of 1982 (Public Law 97-424, 96 Stat. 2097) which created a Federal-aid program funding category that relied on attribution, and in which truck taxes were raised significantly. Since June 1985, no policy changes have been made to the attribution process.

Recognizing the increasing importance of accurate, timely reporting of motor fuel and related attribution data in determining State funding shares, the FHWA, with expert support from the American Association of State Highway and Transportation officials (AASHTO) and the Federation of Tax Administrators (FTA), initiated a review of the motor fuel data reporting system. As part of the review, the FHWA is evaluating the attribution process to determine the continued quality of the attribution methodology, and to identify where improvement can be made. Experts on motor fuel taxation and reporting from several State departments of revenue and transportation and the FHWA field offices met with the FHWA, the AASHTO, and the FTA, and provided technical expertise and feedback to the review. Two meetings were held in

December 1998 and September 1999. While not announced, minutes of these two meetings are available from Mr. Tom Howard, Office of Highway Policy Information, FHWA, at (202) 366-0170.

Three public workshops were held in association with the reassessment process on December 7, 1999, in Atlanta, GA; January 27, 2000, in Philadelphia, PA; and February 24, 2000, in Denver, CO. (65 FR 2222, January 13, 2000). Minutes of these meetings are available from Mr. Tom Howard, Office of Highway Policy Information, at (202) 366-0170.

The attribution process was one of the subjects of review in a General Accounting Office (GAO) study dated June 29, 2000, "Highway Funding; Problems with Highway Trust Fund Information Can Affect State Highway Funds" (Report No. RCED/AIMD-00-148 (15pp.) Plus 7 appendices (47 pp.)). This report is available from the URL: <http://www.gao.gov> and click on "GAO Reports."

Overview

In general, the FHWA found that the existing motor fuel reporting and basic attribution process is serving adequately, but it needs to be better documented to maintain its credibility, and updated to continue to meet the attribution requirements of accuracy and equity. These requirements are even more important because of the increased amount of money dependent on this data.

The existing methodology that relies on motor fuel use as the basis for attributing Highway Trust Fund receipts continues to be consistent with the basic principals of highway user fees. However, the process can be improved in three areas: (1) Reporting, (such as losses, special fuels, alternative fuels, and International Fuels Tax Agreement (IFTA)), (2) treatment of motor fuel data in attribution, (such as public use of diesel, and special fuels), and (3) process management (process oversight and documentation).

The FHWA is developing an "action plan" to address the issues and concerns raised by the reassessment process. At this point in time, action items include the following:

- Fully document FHWA's data preparation and attribution process, providing explanation and rationale of the data flow and analyses throughout the attribution steps;
- Ensure that State's motor fuel data is subject to detailed independent verification;
- Write instructions to implement the proposed changes listed in this **Federal Register** notice (after comments have

been received and evaluated), and rewrite FHWA reporting instructions to clarify selected items;

- Identify States with high risk of reporting shortcomings, and perform in-depth reviews with these States;
- Develop "smart-forms" (with appropriate data editing capabilities) for State motor fuel data submission to simplify reporting, and internal processing through the FHWA evaluation process, to minimize errors and data handling;
- Document results of FHWA's annual analysis to Divisions and States for comment and revision, if necessary;
- Develop training for data providers;
- Review statistical models and other procedures used by the FHWA to estimate missing information and fund research to update these procedures.
- Conduct an independent review of the FHWA's motor fuel data preparation and attribution process.

Availability of the detailed action plan will be announced in the final **Federal Register** policy statement.

Purpose

The primary purpose of this notice is to provide the opportunity for public comment on proposed policy modifications to the existing process. The proposed modifications are significant in that they will improve equity and simplify reporting, but are not expected to have large impacts on a State's share of the TEA-21 funds in the attribution process.

Discussion of Proposed Changes

Issue: Reporting of Public Use of Diesel Fuel

Background

Current FHWA instructions to the States in the "Guide to Reporting Highway Statistics" (Guide), call for the inclusion of private and commercial on-highway diesel gallons, and the exclusion of public diesel gallons. In the past, public diesel was not generally taxed by States, and it was typical for States to tax non-public diesel at the retail pump. With taxes collected at the retail pump, it was most likely that the fuel would be used on the highway by private and commercial vehicles. Under these circumstances, it was reasonable to request States to report non-public (i.e., private and commercial) diesel. However, with the efforts to combat tax evasion initiated in the past 15 years, diesel fuel is now generally taxed higher up the fuel distribution chain, making it more difficult to differentiate public and private uses. These changes in the tax collection process impact the existing

attribution and formula fund distribution process.

Current Situation

The TEA-21 language specifies that the NHS program fund distribution is partly based on diesel gallons by State, which includes public, private, and commercial uses. It also specifies that the IM program is partly based on commercial vehicle contributions, which does not include motor fuel used in public vehicles. Most States cannot separately identify public use of diesel motor fuel, and therefore are reporting public diesel as part of private and commercial diesel. The reasons this situation exists are the lack of a tax mechanism in many States that separately identifies the publicly used fuel (no State legislation for exemption or refunds), and the complexity of State reporting from many jurisdictions (such as counties or school districts reporting to the State). Only about seven States currently separate all public diesel from other uses.

Improvements

The FHWA proposes to require the reporting of all on-highway diesel fuel (therefore including public diesel, as well as private and commercial diesel) for all States. This will resolve current inequities and remove inconsistencies in the current procedures related to the public diesel data issue. This solution serves the purposes of equity, minimal State reporting burden, and congressional intent.

Implementation

The FHWA proposes to begin including on-highway public diesel with on-highway private and commercial diesel for data year 2002, which will impact Federal funds attribution in FY 2005.

Issue: Accounting for Motor Fuel Losses

Background

Motor fuel inventory losses for tax accounting purposes include occurrences such as storage tank leakage, destruction by fire or other means, spillage, meter faults, and measurement differences due to temperature and evaporation (often called shrinkage, but could be a gain in volume).

Federal (IRS) regulations do not recognize losses of highway motor fuel. Under these regulations, fuel lost or destroyed through spillage, fire or other casualty, cannot be treated as fuel used in an off-highway business use, and a refund from highway taxes cannot be claimed. At the State level, about ten States allow a flat percentage loss for

gasoline, and some States allow for actual losses for tax accounting inventory.

Current Situation

For those States that allow a flat percentage for gasoline losses, the FHWA caps the loss at one percent of gross gasoline reported. The reasoning behind capping losses at one percent is the concept that the gallons above the one percent threshold are actually consumed on the highway. While a State may choose to allow a tax break to wholesalers and distributors, the gallons represented by this paper transaction are not actually lost, they are just not taxed by the State. Diesel losses are not considered in the FHWA Guide instructions on the assumption that shrinkage and evaporation of diesel fuel is not significant.

Improvements

The FHWA proposes to modify its process and to accept only actual losses as reported by the States. The FHWA proposes to eliminate the one-percent loss allowance cap, and to discontinue the reporting of any State percentage loss allowances. The FHWA also proposes to treat diesel losses the same as gasoline losses, *i.e.*, allowing the reporting of actual diesel losses.

Implementation

The FHWA will revise the Guide, worksheets, and tables to eliminate the reporting and analysis of percentage losses beginning with data year 2002. The FHWA will continue to request the reporting of actual losses for gasoline, and will begin accepting and incorporating actual diesel losses reported by States.

Issue: Oversight of State-Reported Data

Background

For decades, State-reported motor fuel data collected through State tax authorities has been reported to the FHWA for statistical record keeping purposes. Within the last two decades, however, the Congress has increasingly used this data for purposes related to distributing highway funds to the States. With this trend, the quality of the data being reported has been increasingly questioned. The FHWA is considering whether additional oversight actions might be needed to assure the quality of this data.

Current Situation

Currently, the FHWA Division Offices conduct motor fuel reviews on a three-year cycle. These reviews address key reporting issues, help the FHWA evaluate the quality of the data being

submitted by the States and identify problem areas. The GAO has concluded that the FHWA needs to ensure that State data is independently verified.

Several options are available to address this recommendation, including:

- Certification of the State data by a high-level State official;
- Certification by State official with periodic, independent, in-depth reviews;
- Periodic multi-State/FHWA peer reviews; or
- In-depth reviews by FHWA staff on a periodic basis.

Implementation

The FHWA is soliciting comments on the best way to ensure State data validity. FHWA use of the IRS ExFIRS data base, being developed to combat tax evasion (by IRS with FHWA funding), will likely provide additional verification functions when it is available. ExSTARS, the tracking system of ExFIRS, is projected to be available by October 2000. The FHWA will also pursue further investigation of using ExFIRS for additional verification of State data when ExFIRS becomes available.

Issue: Special Fuel Versus Diesel Fuel as an Attribution Issue

Background

Historically, the FHWA has allowed States to report gallons of diesel fuel together with small amounts of other special fuels, and has called the combined total “special fuels.” These other special fuels include, in order of prevalence (most to least prevalent) liquefied petroleum gases (LPG), compressed natural gas (CNG), and liquefied natural gases (LNG), 85 percent alcohol mixtures, and any other alternative fuels. Kerosene, another alternative fuel historically not used as a motor fuel, is now occasionally mixed with diesel fuel in cold weather to improve running characteristics; this is generally treated as a diesel fuel and is not reported separately.

Current Situation

The TEA-21 directs that the NHS component be apportioned as follows: “30 percent in the ratio that total diesel fuel used on highways in each State bears to the total diesel fuel used on highways in all States.” Note that this language does not include LPG and the other fuels. However, because the amounts of other special fuels are estimated to be very small (less than 2 percent), and about one-half of the States do not—or cannot—separately

identify them, existing FHWA procedures combine all “special fuels” with diesel fuel. Hence, current attribution procedures currently include LPG and other special fuels.

Improvements

Two options to address special fuels as an attribution factor exist:

- Use only diesel fuel as the NHS attribution factor; or
- Maintain the combined category special fuels as the NHS attribution factor.

One problem with excluding special fuels is how to deal with States which may have reportable gallons of the these fuels, but cannot document them separately (*e.g.*, two fuels may have the same tax rate, and the State revenue department reduces reporting burden on the taxpayer by not requiring separate reporting of the fuels). The FHWA does not have a procedure for identifying and removing special fuel gallons from gross reported diesel gallons for States that report aggregated data. Taking the special fuel gallons out of the data of States who report it separately would be inconsistent treatment when compared with those States who report aggregated special fuel gallons. Given these circumstances, the FHWA is proposing not to require separation of diesel and special fuels.

Implementation

The FHWA proposes to retain its current reporting requirement and not require States to split diesel and special fuels. For those States that can readily provide information on a variety of alternative fuels, the FHWA will request that they report that information so that the FHWA can monitor the use of special fuels.

Issue: Reporting of Alternative Fuels

Background

“Alternative fuels”—such as 85 percent ethanol (E85), 85 percent methanol (M85), LPG, LNG, and CNG—are currently a very small portion of motor fuel used for highways but may be a growing segment of the motor fuel industry. Over the long term, alternative fuel growth could significantly skew motor fuel data as it is currently reported.

In the attribution of motor fuel data, gallons have been the traditional unit of measure of motor fuels, but some alternative fuels are compressed gases which must be measured in other units. The energy content of the alternative fuels, and their variance from traditional motor fuel energy content, also causes concern for motor fuel attribution.

Several States do not tax alternative fuels on a per gallon basis. These States typically charge annual alternative-fueled vehicle registration fees, often depending on vehicle weight or distance of travel, and provide for the issuance of decals to these vehicles. While this fee is a highway-related tax, it is not reportable as on-highway motor fuel use. Receipts associated with these decals are reported to the FHWA as State revenue, but no gallons of highway use are reported to the FHWA, or shown in the FHWA consumption and attribution tables.

Current Situation

At the Federal level, these fuels pay applicable motor fuel taxes if the fuels are consumed in on-highway vehicles. At the State level, these fuels usually pay applicable motor fuel taxes if consumed in on-highway vehicles, although some States substitute registration fees as discussed above.

The FHWA instructions in the Guide request the States to report gallons of E85 and M85 with State-reported gallons of gasoline. Likewise, CNG and compressed natural gas are to be reported as LPG. The reported amounts of these fuels are therefore used in the attribution process and reported in FHWA statistical tables.

Improvements

The FHWA is proposing to on revise the method of reporting alternative fuels. The FHWA proposes to instruct States to use standard conversion rates for equating the energy content of alternative fuels to diesel (to ensure all States will use consistent conversion factors), and to report these energy equivalent gallons to the FHWA by each alternative fuel type.

The FHWA also proposes to develop a mechanism for the reporting of motor fuel gallons that pay registration fees in lieu of per unit motor fuel taxes. The FHWA proposes working with the States to develop a common method of estimating gallons consumed in States that have a registration fee in lieu of per gallon taxes on alternative fuels.

Implementation

After evaluating the comments, the FHWA will work with States to develop a procedure, provide the opportunity for public comment, and develop appropriate procedures. The FHWA will also revise the Guide to provide instructions for the above improvements. Revised reporting is proposed to begin in calendar year 2002.

Issue: Accounting for International Fuel Tax Agreement Procedures

Background

The IFTA is a motor fuel accounting process that became mandatory for all States (and Canadian Provinces) on September 31, 1996. Under IFTA, motor carriers report the distances their trucks travel in all States (and Provinces) in which they operate, and pay the motor fuel taxes due in each State in one transaction to their base State (typically the State where the carrier's business headquarters is located). On a quarterly basis, the States adjust the motor carrier tax revenues among themselves to allocate motor fuel taxes to the State in which the travel actually took place.

The FHWA requires State reporting of IFTA gallons on a net basis—that is, adding in credits for gallons (and revenues received) from other States, and subtracting out credits for gallons (and debiting out receipts) sent to other States. To ensure proper crediting in FHWA tables and attribution procedures, State's must correctly report IFTA motor fuel gallons and receipts.

Current Situation

The IFTA organizational agreements have procedures to insure that base State reporting responsibilities are properly carried out and that procedures (such as peer reviews) and sanctions are available to remedy deficient conditions.

Improvements

To increase the understanding of States on the importance of reporting adjusted IFTA data to the FHWA, the FHWA proposes to review and document State practices in the reporting of IFTA data to the FHWA. This document will describe how States collect IFTA revenue, how States separate out revenues not related to the gallons of motor fuel and direct motor fuel gallon taxes, how they calculate net gallons and revenues, the time required to process IFTA data and report to the FHWA, and will suggest alternatives for IFTA calculations if full data are not available. An abbreviated version of this report will be incorporated as an appendix to Chapter Two of the Guide.

Implementation

The FHWA is soliciting comments on IFTA reporting issues, such as, timing of data submissions and processing, difficulties in data handling and processing, difficulties in incorporating revised data, the FHWA's proposed improvements (above), and any other issues related to developing accurate IFTA data. The FHWA proposes to

incorporate these comments into its evaluation of the relation between the IFTA and the FHWA's motor fuel reporting procedures and to develop additional guidance on IFTA reporting.

(Authority: 23 U.S.C. 315; sections 1103 and 1104, Pub. L. 105-178, 112 Stat. 107 (1998); and 49 CFR 1.48).

Issued on: August 10, 2000.

Walter L. Sutton, Jr.,

Federal Highway Deputy Administrator.

[FR Doc. 00-20941 Filed 8-16-00; 8:45 am]

BILLING CODE 4910-22-P

DEPARTMENT OF TRANSPORTATION

National Highway Traffic Safety Administration

[Docket No. NHTSA-99-6021; Notice 2]

Explorer Van Company, Grant of Application for Decision of Inconsequential Noncompliance

Explorer Van Company (Explorer), a division of the Bodor Corporation, is a corporation organized under the laws of the State of Indiana and is located in Warsaw, Indiana. Explorer has determined that it manufactured conversion vans that are in noncompliance with Federal Motor Vehicle Safety Standard (FMVSS) No. 120, Tire selection and rims for motor vehicles other than passenger cars, and 49 CFR Part 567, Certification, and has filed a report pursuant to 49 CFR Part 573, "Defect and Noncompliance Reports." Explorer has also applied to be exempted from the notification and remedy requirements of 49 U.S.C. Chapter 301—"Motor Vehicle Safety" on the basis that the noncompliances are inconsequential to motor vehicle safety.

Notice of receipt of the application was published, with a 30-day comment period, on September 14, 1999, in the **Federal Register** (64 FR 49836). NHTSA received no comments on this application during the 30-day comment period.

First, from February 1, 1998 to May 31, 1998, Explorer manufactured approximately 2,416 conversion vans that do not meet certain requirements of FMVSS No. 120. The certification label affixed to these Explorer units pursuant to Part 567 failed to comply with S5.3 of FMVSS No. 120 because of the omission of metric measurements, and the failure of Explorer to separately provide the metric measurements on another label, an alternative allowed by FMVSS No. 120.

Second, from January 1998 to August 1998, Explorer manufactured

STATE OF KANSAS

Bill Graves, Governor

114957

Office of the Secretary
Kansas Department of Revenue
915 SW Harrison St.
Topeka, KS 66612-1588



DEPARTMENT OF REVENUE

Karla Pierce, Secretary

(785) 296-3041

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Internet Address: www.ink.org/public/kdor

Office of the Secretary

October 16, 2000

U.S. Department of Transportation
Dockets Management Facility, Room PL-401
400 Seventh Street SW
Washington, DC 20590

Dear Sirs:

Please find below my staff's comments relating to "Motor Fuel Reporting Reassessment: Public Workshop" (FHWA Docket No. FHWA-2000-7635). - 7

1.) FHWA proposes to require the reporting of all on-highway diesel fuel (therefore including public diesel, as well as private and commercial diesel) for all States.

Kansas concurs with the proposed change. Under the current reporting requirements Kansas was unable to comply with the separation and identification of public use diesel (city buses, state and local government, etc.). Including public use diesel in the reporting requirements and attribution process will eliminate inequities/inconsistencies in state reporting.

Implementation is planned for data year 2002.

2.) FHWA proposes to modify its process and reporting requirements to include only actual motor fuel losses (fuel lost or destroyed through spillage, fire or other casualty) and eliminate the one-percent loss allowance cap, and discontinue the reporting of any State percentage loss allowances.

Kansas concurs. This proposal will also resolve inequities in the reporting requirements and attribution process. Actual losses are gallons of motor fuel previously taxed and not used on the highway. Actual losses are limited to casualties and can be supported by states through reporting requirements.

3.) Oversight of State Reported Data: FHWA is requesting comments on the best way to ensure state data validity. The following four options were presented as potential options:

- 1.) Certification of the State data by a high-level State official;
- 2.) Certification by State official with periodic independent in-depth reviews;
- 3.) Periodic multi-State/FHWA peer reviews; or
- 4.) In-depth reviews by FHWA staff on a periodic basis.

Kansas' recommendation is that FHWA continue its current practice of in-depth reviews on a periodic basis (option #4). This provides for equitable data across all states and allows FHWA to capture required data, report on inequities among reporting practices and make recommendations for improving the reporting processes. Option #3 would provide the same benefit but also places a burden on states to provide resources for peer reviews as well as to incur travel expenses.

4.) Special Fuel Versus Diesel fuel as an Attribution Issue. TEA-21 directs that the NHS component be apportioned 30 percent in the ratio that total diesel fuel used on highways in each state bears to the total diesel fuel used on highways in all States. However, about one-half of the states do not, or cannot, separately identify diesel from special fuels. FHWA proposes not to require separation of diesel and special fuels.

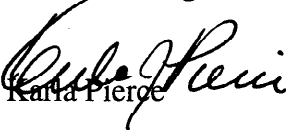
Kansas concurs. Currently Kansas does not separately identify Special Fuels, other than LPG. This proposed recommendation will allow Kansas to remain in compliance with FHWA reporting requirements.

5.) Reporting of Alternative Fuels, such as E85, M85, LPG, LNG and CNG. Currently these fuels are a very small portion of motor fuel used for highways but may be a growing segment of the motor fuel industry. The FHWA is proposes to instruct States to use standard conversion rates for equating the energy content of alternative fuels to diesel and to report the energy equivalent gallons to the FHWA by each alternative fuel type.

Kansas concurs. This proposal will also resolve inequities in the reporting requirements and attribution process.

6.) To increase the understanding of States on the importance of reporting adjusted IFTA data to the FHWA, the FHWA proposes to review and document State practices in the reporting of IFTA data to the FHWA. It will describe how States collect IFTA revenue, how States separate out revenues not related to the gallons of motor fuel, how they calculate net gallons and revenues and the time required to process IFTA data and report to the FHWA.

Kansas does not foresee or anticipate any issues related to the reporting of IFTA data to the FHWA timely. Kansas currently processes and transmits fees timely to all jurisdictions, within the proposed guidelines of the IFTA agreement. Kansas would anticipate the reporting to the FHWA would fall within those guidelines. Kansas currently does not include any revenues not related to the gallons of motor fuel taxed and reports only net gallons.


Kiana Pierce

Secretary of Revenue

CHAPTER 2

REPORTS IDENTIFYING MOTOR-FUEL USE AND TAXATION

This chapter covers the reporting of State motor-fuel consumption and motor-fuel tax revenues. Form FHWA-551M, Monthly Motor-Fuel Consumption, provides for the monthly reporting of motor-fuel volume data. Form FHWA-556, State Motor-Fuel Tax Receipts and Initial Distribution by Collection Agencies, provides for the annual reporting of revenue data. The data reported on form FHWA-551M are widely considered to provide the most complete and accurate information on gasoline usage, and as such, are invaluable for a variety of analyses within the Department of Transportation and by other agencies. The data also provide the source for the report Monthly Motor Fuel Reported by States. Both forms FHWA-551M and FHWA-556 are used in compiling tables which are published in the annual Highway Statistics. These tables showing motor-fuel volume by tax status and by use and motor-fuel revenues are extensively used for highway planning and highway-user tax revenue projections.

This chapter contains the following parts: (1) introduction and background, (2) a discussion of the most common adjustments that the FHWA makes to the State motor-fuel data; (3) instructions for form FHWA-551M, including submission instructions, a discussion of the fuel type columns of the form, assessment data, International Fuel Tax Agreement (IFTA) data, line-by line entries, and notes and technical information descriptions; and (3) instructions for form FHWA-556, which covers reporting of the revenue data related to motor fuel volumes.

Background

The volume data are used by FHWA to attribute Federal Highway Trust Fund receipts to the States, which in turn are used in the Federal-aid highway fund apportionment process. Highway motor fuel consumption data impact the distribution of Federal-aid highway program funds in the following program categories: Interstate Maintenance (IM), National Highway System (NHS), Surface Transportation Program (STP), and the 90.5 percent Minimum Guarantee.

The FHWA recognizes that the States' motor-fuel information systems, and, therefore, the data they are able to submit, are organized primarily for the purpose of administering State fuel-tax programs. Because of variations in individual State requirements, reported data are sometimes not comparable among the States. In

order to treat States equitably in motor fuel attributions, and include information from all States in the national summary tables published in Highway Statistics on a comparable basis, the FHWA often has to adjust parts of the States' submissions. The adjustment process fits the data to uniform categories so that national characteristics and trends can be analyzed and projected. Refer to page 1-4 for a general policy statement on FHWA adjustments to the data.

FHWA ADJUSTMENTS TO STATE DATA

Generally State motor-fuel taxes are levied on road users, and refunds of the taxes paid or exemptions to the tax are given for nonhighway use of motor fuel. However, not all States offer refunds or exemptions for all classes of nonhighway use, and not all available refunds are actually claimed. Thus, often the net volume of fuel taxed is not the same as the volume consumed on highways.

Consequently, it is necessary to make various adjustments to the tax-status information provided by the States to show fuel volume on a use basis when used for motor fuel attribution and published in Highway Statistics.

Federal Government highway gasoline use.— Most States exempt from taxation gasoline used by the Federal Government, including the military. Since the only Federal use of gasoline included in FHWA tables is highway civilian use, the FHWA estimates this category for most States based on information obtained from Federal agencies. State-reported Federal use in excess of the FHWA estimate is presumed to be either civilian nonhighway or military use and is eliminated from the Federal figure reported by the State as well as from the gross volume.

State and local government gasoline use.— Most States exempt from taxation gasoline used by State and local government entities or offer refunds of the tax paid, and many States are not able to provide a segregation between highway and nonhighway uses. In such cases, FHWA must estimate the segregation to arrive at a highway use figure for the State.

Off-highway and public use of special fuels (diesel and liquefied petroleum gases).— In order to include comparable data for all States in the national summary tables, the FHWA has chosen to show only private and commercial highway use of special fuels in its

consumption tables. (Transit use, regardless of the ownership of the transit system, is treated as private and commercial use.) Many States exempt from taxation all off-highway use and public use— use by Federal, State, and local government entities. This, coupled with the fact that the special fuel taxes in some States are imposed at the retail level, makes it impossible for some States to report off-highway and/or public use. FHWA deducts any identifiable nonhighway or public use of special fuels in the State-reported figures.

Gasohol.— While many States can differentiate gasohol from gasoline and report them as separate fuel types, few States recognize the same types of gasohol as does the Federal Government. For compatibility with Federal definitions, and to treat all States equitably, (including those that can not report gasohol separately) FHWA developed a model to estimate gasohol usage in all States. The model uses Internal Revenue Service gasohol tax collections by Federal gasohol type as control totals, allocating State-reported gasohol gallons to States that meet reliability criteria, estimates gasohol usage in the States where data does not meet reliability criteria, and leaves out of the calculation States with no gasohol usage. The results of the model are reported as gallons of gasohol by Federal type, and is used in the attribution of motor fuel tax receipts.

Gasoline loss allowances.— A majority of States allow the gasoline wholesaler and/or retailer a flat percentage allowance against the tax owed for losses in storage and handling or, in some cases, for both losses and the expense of tax collection. Analyses of data from States that allow only actual losses to be claimed have shown that actual losses seldom exceed one-half of 1 percent. Therefore, where a flat percentage loss allowance is involved, FHWA allows a maximum of 1 percent for such losses in its usage tables. Since retailers sell fuel at a tax-included price, FHWA considers that the loss volume in excess of 1 percent is actually taxed (even though the State does not receive the money) and used on the highways. Since the FHWA intent is to show the actual fuel volume on which tax is paid and that is used on the highways, appropriate adjustments are made in the State data. The State should report all gallons subject to its loss allowance; FHWA will make the adjustment described as part of its analysis.

INSTRUCTIONS FOR FORM FHWA-551M

Form FHWA-551M should be completed by the State agency that collects the motor-fuel tax. A copy of FHWA-551M should be sent directly from the agency preparing it to:

There is no need to revise reports in the event of late tax returns, to compensate for the lag in claims for refunds,

Office of Highway Policy Information (HPPI-10)
Federal Highway Administration
Washington, D.C. 20590

Electronic transmittal of the data is encouraged. See Appendix B for further information. Direct transmittal to the Washington Headquarters does not preclude review by the FHWA Division office.

Form FHWA-551M should be transmitted to the FHWA Washington Headquarters not later than 90 days after the close of the month for which data are being reported. Information that is not available on a monthly schedule should be included on the next monthly report submitted after it becomes available; its presence and the period covered by the amount(s) should be noted (e.g., "Gasoline and gasohol refunds shown in items 4.a. to h. on page 1 of this report cover the July 1 - September 30 period."). Similarly, the absence of such an item should be noted on the monthly reports where it is not available (e.g., "Gasoline and gasohol refunds are available quarterly only and will next be reported on the September report.").

Identifying Information

In the upper, right-hand corner of form FHWA-551M, there is space for the following entries:

State.— Enter the State name.

Year and month of sale or transfer.— Enter the calendar year and the month for which the data are reported in the blanks provided.

The month entered should be the month of sale or transfer of the fuel volume being reported, rather than the month that tax collections are received by the State or the month that the FHWA-551M is submitted to FHWA. For example: In a State with a wholesale gasoline tax, the tax on a wholesale transaction that takes place in January is remitted to the State in February; the fuel volume for this transaction should be reported on the *January* report. This is only a general rule.

or to report audit assessments. Such items should be included on the next monthly report.

Reporting Assessment Data

Assessments are taxes which the State determines, through audits or reviews of taxpayer returns, that the taxpayer owes and did not previously report and pay. This data is typically months or even years behind the date of sale or transfer, and therefore somewhat distorts periodic motor fuel reporting. However, its reporting, no matter how late, is important. The following paragraph discusses how to report assessment data

The fuel volume represented by assessments or late returns should be reported for the month in which payment is received, or on the first FHWA-551M submitted following the month in which this information becomes available. The volume reported for assessments should be included in item 1., Gross Volume Reported, and described in a note on page 2. Gallons from audit assessments should be reported in the month collected, since it is unrealistic to adjust reports that may be many months or years old. Actual collections are reported to assure that sometimes lengthy appeal procedures have been exhausted and the assessment is ultimately sustained before being included in the gallons reported.

Assessments that cannot be collected should not be included; however, gallons represented by these assessments can be reported, with a note describing them as gallons consumed (but no revenue was collected) on the highways in the State.

Units.— Check the appropriate box to indicate the units of measurement— gallons or liters— used in the report. To prevent errors, FHWA recommends that form FHWA-551M be reported in the same units in which the fuel-tax records are kept.

Instructions for Entering Fuel-Type Data in the Columns of Form FHWA-551M

Fuel type.— Columns (1) through (4) provide for reporting volume by fuel type. The following definitions are used for fuels to be reported in columns (1) and (2). If the State's definition of a fuel differs from the corresponding definition in this section, provide the volume data for the fuel on page 1 of the form and record the State's definition of the fuel in a note on page 2. This should be done once a year (on the January report) unless the definition changes. Both motor gasoline and aviation gasoline as defined below should be reported in column (1). Include in "Notes and Comments" (page 2) information on alternative fuel use (other than those covered below), in whatever quantity available. To the extent possible, use Federal definitions of fuel types. Where decal fees are used in lieu of per gallon taxes,

estimate the gallons by showing the computation using the decal fee formula (annual amounts can be reported in the month collected).

Motor Gasoline: A complex mixture of relatively volatile hydrocarbons with or without small quantities of additives, which have been blended to form a fuel suitable for use in spark-ignition engines. (10 CFR, 211-225, Appendix A)

Aviation Gasoline: Aviation gasoline includes only gasoline used in airplanes with internal combustion, piston engines (not jets or turboprops). A more technical definition is: petroleum-based fuel designed for use in aircraft internal combustion engines and complying with MIL-G-5572 specification (or ASTM specification D-91-79). Note: Jet fuel should not be included. FHWA will supply aviation gas use if not reported.

Neat alcohol: Any liquid at least 85 percent of which consists of methanol, ethanol, or other alcohol produced from a substance other than petroleum or natural gas. Neat alcohol should be included with gasoline in column (1) and quantities, if known, should be shown in a note on page 2 of the form.

Gasohol: A blend of motor gasoline with alcohol in which 5.7 percent or more of the product is alcohol. The term alcohol includes methanol and ethanol but does not include alcohol produced from petroleum, natural gas, or coal, nor does it include alcohol with a proof of less than 190. Fuels meeting these criteria should be entered in column (2) and the volume entered should include both the gasoline and alcohol components of the fuel. Amounts reported in column (2) should be excluded from column (1). All other gasoline-alcohol blends where alcohol is less than 5.7 percent of the finished volume should be included with gasoline in column (1).

Federal law defines three different types of gasohol: (1) *5.7 percent gasohol*, where the alcohol content is at least 5.7 percent but less than 7.7 percent; (2) *7.7 percent gasohol*, where the alcohol content is at least 7.7 percent but less than 10 percent; and (3) *10 percent gasohol*, where the alcohol content is at least 10 percent. A stratification of the gross volume reported in column (2) into these three types should be entered in item 3. on page 2 of the Form. Either actual volume or percentage shares may be reported.

Typically, current State fuel tax laws recognize only the 10 percent blend as gasohol, but a number of States provide for alcohol producer or blender credits for other blend ratios. Records of such credits may be a source of data for completing form FHWA-551M. The lower blend

ratios are sometimes used to meet the oxygenated fuel requirements for areas not meeting the National Ambient Air Quality Standards. The State implementation plan (SIP) for meeting air quality standards may be another source for gasohol information. Note that oxygenated gasoline made with ethers (MTBE or ETBE) *is not* gasohol and should be reported in column (1) as gasoline.

For any State where gasohol is sold, the amount should be identified in column (2), or marked “N/A” for data not available. And the quantities by percentage blend should be shown on page 2, or marked “N/A.” FHWA will estimate quantities of gasohol by percentage wherever N/A is noted.

Diesel fuel volume (private and commercial highway-use only) should be entered in column (3). Dyed diesel fuel should never be included in column (3) since dyed diesel fuel is not sold for highway use in highway vehicles.

Kerosene should be included in column (3) only if sold or blended for highway use in private, public transit, or commercial vehicles.

Liquefied petroleum gases (LPG), including butane, propane, and liquefied compressed gas, should be entered in column (4) if information is available on its private and commercial highway-use.

Note: Several lines in columns (3) and (4) are shaded. For States that tax diesel and LPG at the retail sale level, i.e., when they are placed in the tank of a highway vehicle, items such as losses and refunds are generally not applicable. Those States that tax diesel and LPG at the wholesale level and for which losses and refunds are applicable, should subtract from the gross amounts actual losses and refunds for off-highway use and enter the resulting number in item 1, Gross Volume Reported. If the State prefers, it may show the actual gross volume along with exempted and refunded fuel volumes and provide the detail necessary for FHWA to deduct losses as well as nonhighway and public use.

Column (5) is the total of columns (1) through (4).

International Fuel Tax Agreement (IFTA)

Considerations.— Interstate motor-carrier fuel use is treated differently from other fuel categories. The intent is to tax major interstate fuel users (typically motor carriers), on the basis of the quantity of fuel used within the State rather than on the basis of fuel purchased in the State. All fuel volume taxed on a use basis should be reported as IFTA usage. While most of the motor fuel is diesel, gasoline and special fuels are reported. In some States, motor carriers report to a State agency other than the fuel-tax agency; therefore, it may be necessary for the agency responsible for completing form FHWA-551M to

obtain this information from another source. All States and Canadian Provinces except Alaska, Hawaii, and Oregon use IFTA provisions for taxing motor fuel used by interstate motor carriers. (There is little or no interstate motor-carrier travel in Alaska, none in Hawaii, and Oregon imposes a weight-distance tax in lieu of a fuel-volume tax on vehicles regulated by the Public Utility Commissioner.)

Motor Carriers file IFTA reports quarterly. The IFTA returns, compiled by one of several IFTA processing centers (or by the State itself) are submitted to other States in the second month after the quarter ends. Each IFTA member receives a quarterly report from every other member which includes the net taxable gallons (positive or negative) accumulated from all the base-State carrier returns for that period. The sum of these net adjustments is the amount to be added or subtracted from the motor fuel gallons reported. Gallons of motor fuel are always tabulated on the State IFTA reports, and should be obtained from your State’s revenue department. If not, the gallons may be calculated by dividing the net dollars (less penalty and interest) by the tax rate of the State where the fuel was consumed. The quarterly net data should be included on the FHWA-551M monthly motor fuel report (in the month it becomes available) as an adjustment to the total gallons of special fuel used in a State

Line-by-line Instructions

Item 1. Gross Volume Reported.— Show as accurately as possible the total consumption of motor fuel within the State during the month. The data reported are needed by FHWA for the monthly motor-fuel analysis and are the starting point for the annual motor-fuel consumption, taxation, and attribution analyses.

The starting point for gross volume is the tax returns of sellers (position holders at fuel terminals, wholesalers, or retailers depending on the point of taxation in the State). Include the gross sales reported by these taxpayers, including fully taxed sales, exempt sales, volume subject to full or partial refund, and sales taxed at a reduced rate. **Include** gasoline volume subject to exemption due to actual loss or subject to shrinkage allowance. Aviation gasoline, but not jet fuel, should be included in the gross gasoline volume. **Exclude** export sales and dealer-to-dealer sales exempted to prevent duplication of tax payments. Also exclude sales of special fuels to government agencies, actual losses of special fuels, and nonhighway use of special fuels.

Next, the tax returns of users (generally IFTA returns) must be incorporated. The gross volume reported by the sellers should be adjusted to reflect net use in the State. To the gross sales volume as described above, net IFTA

gallons must be added. To determine the net IFTA position of a State, add the fuel volume transferred in from other States, then deduct the fuel volume transferred to other States. The net IFTA position may be positive or negative. Enter the combined gross sales volume and net IFTA calculation in item 1, Gross Volume Reported. To supplement the volume information, item 2 on page 2, Computation of Gross Volume Reported, should be completed. Note that the adjustment must reflect both motor fuel reported directly to the State and that reported through IFTA agreements.

Some States retain only revenue data from the tax returns of motor carriers and cannot use the method described above to adjust gross sales for fuel use. In such cases, compute the adjusted figure as follows: To the gross sales volume described above, add the revenue remitted with motor carrier tax returns divided by the tax rate. From the result subtract the refunds and credits issued to motor carriers divided by the tax rate. Enter the result in item 1. If using this method of adjustment, show the details in a note on page 2.

IFTA adjustments are required to be available at the end of the second month after the reporting quarter. This makes monthly reporting impossible for IFTA data. States should report the quarterly information on the monthly report for the second month after the reporting quarter, e.g., IFTA data for January through March should be reported on the May report. If obtaining IFTA figures will prevent timely data submissions, the figures should be provided on the next month's report.

See page 2-7 for a discussion of gallons of fuel sold for highway (non-tribal government) use on Native American reservations.

The gross volume reported in line 1 is the sum of the components to be listed in items 2. (fully tax exempt volumes), 4. (fully refunded volumes), and 5. (net volume taxed.) It is important to note that quantities that do not represent actual consumption should not be reported. A common example is a refund of an overpayment. This should not be shown as a fuel-volume transaction. It is a monetary transaction and the dollar amount should be reported on FHWA-556.

Item 2.a. Losses—flat percentage— Show the volume on which shrinkage or loss allowances were calculated or claimed during the month. Some States make flat-percentage allowances for losses in handling. Others make allowances for actual losses (generally, not to exceed a certain percentage) such as losses through evaporation, destruction by fire, explosion, and so forth, or which permit a distributor to reconcile inventory.

As discussed on page 2-2, flat percentage loss allowances are capped at 1 percent for gasoline, even if a larger percentage is allowed by the State. For diesel fuel, all losses should be deducted from the gross reported on Line 1. Flat percentage losses for diesel are generally not applicable, but if allowed by the State, these losses should be excluded from gross gallons reported on Line 1. A description of the percentage allowance and number of gallons excluded should be included under "Notes and comments," page 2.

A number of States provide allowances (discounts) for prompt payment of taxes due, or for expense incurred by the distributor in keeping records and collecting the tax. Such allowances are merely deductions from the gross amount of tax due the State and do not in any sense affect the motor-fuel consumption. For this reason, these deductions should not be entered as loss allowances in item 2.a. They should be considered deductions from the tax only, and the corresponding fuel volume should be included in the taxed volume reported in items 3. and 5. The amounts of allowances for expenses, prompt tax payments, and so forth are to be recorded as deductions from gross tax collections on form FHWA-556, item 1.a.(2).

In a few States, a percentage allowance is made in consideration of both losses in handling and expense of collection. Since losses in handling affect the distribution of motor fuel and allowances for expenses do not, it is necessary in the analysis of motor-fuel usage to divide the total allowance into two parts: one part representing the estimated losses in handling and any applicable actual losses, such as through evaporation, destruction by fire, explosion, and so forth; and the other part representing the estimated allowances for expenses.

Item 2.b. Losses—actual— In many States, a distinction is made between losses in storage and handling and losses through evaporation, destruction by fire, explosion, and so forth, and generally any provable losses regardless of amount are tax exempt or eligible for refund. Where the information is available, the exempt portion should be reported here. Also, net gains or losses (i.e., volume expansion or shrinkage) resulting from temperature adjustments should be recorded here, with the appropriate sign (+ or -). Note: Expansion is a negative loss and shrinkage is a positive loss.

Items 2.c. to i. Other fully tax exempt— Show only motor-fuel volume on which no tax was paid in the first instance. Amounts not representing motor fuel actually consumed in the State, such as export sales and fuel moving in interstate commerce, and amounts exempted to avoid duplication of tax payments should be excluded

from item 1. (Gross Volume,) and, therefore, also from item 2 (Fully Tax Exempt.) Motor-fuel tax refunds should not be reported in this item.

All amounts completely exempted from taxation, other than loss allowances and the types of exemptions stated above, should be listed in items 2.c. to i. In many States, Federal use is the only class of exemption reported. It should be entered in item 2.c. Other common classes of exemption include:

- ! State and local government use
- ! Nonhighway use by distributors
- ! Nonhighway use when sold in large quantities
- ! All nonhighway use
- ! Specific classes of nonhighway use, such as farm, industrial, railway, and aviation use

Note that government use is included for gasoline and excluded for diesel (except transit which is included in diesel). To the extent possible, when government exemption or refund categories are reported, separate "Federal" from "State/Local." Native American tribal government should not be combined with "Federal" or "State/Local," but should be reported on a separate line.

Gallons of fuel sold for highway (non-tribal government) use on Native American reservations should be included on the FHWA-551M, since these are highway use gallons taxed by the Federal Government and need to be included to make attributions of Highway Trust Fund (HTF) revenue to each State in which reservations are located. Gasoline and special fuel gallons sold on Native American reservations should be included in gross gallons. Tax-exempt gallons and tax-refunded gallons for tribal member use should be reported for all fuel types under Items 2 and 4 respectively. List separately as "Native American use" to distinguish these gallons from other exempt or refunded categories such as Federal Government use. Payments to Native American tribes under fuel tax collection or revenue sharing agreements, in lieu of motor fuel tax refunds, should be identified separately on the FHWA-556 under Item 8.

If there are sales on Native American reservations not reported to the State in any manner that can be quantified, add a note similar to the following in Notes and Comments, page 2: "Motor fuel sales on certain Native American reservations are not included." Indicate the number of retail locations involved, if known.

The above categories should be entered in items 2.d. to i. Always identify refund and exemption categories as

highway use fuel or non-highway use fuel, and do not mix highway and non-highway uses in a miscellaneous category. The highway and non-highway gallons are treated differently in attributing State revenue to the Federal Highway Trust Fund. Some States do not maintain records in sufficient detail to provide a statement of the amounts of motor fuel exempted from taxation. In such cases, an estimate of the exemptions (particularly Federal use) could be provided, including a note on page 2 describing how the estimate is generated. Such a description is only needed the first time the estimate is reported.

When changes in tax law introduce a new exemption category, please provide a brief narrative description with the first report on which it appears. This information allows FHWA to interpret the data properly in its analyses. Once an exemption type has been assigned a line number, it should be retained there for all future submissions. Data, including line numbers, are entered directly from form FHWA-551M, and consistent coding makes it possible to track specific categories.

The total of items 2.a. to i. should be entered in item 2.j. (Total.)

Item 3. Gross volume taxed.— Show the gross fuel volume assessed for taxation. The amounts reported should equal the gross volume reported in item 1. minus the exempt volume reported in item 2.j.

Item 4. Fully refunded.— In theory, at least, this item should show for each month the volume of motor fuel sold or distributed on which refunds of the tax were subsequently granted. Such a listing would correlate with the data reported in items 1. (Gross Volume Reported) or 3. (Gross Volume Taxed,) which are based on the distributors' reports of the distribution and sales for the month. However, refunds are generally paid to the purchaser, and very few States maintain a record of refunds classified by month of fuel purchase.

In practice, most states report refunds and corresponding fuel volumes (obtained by dividing the amount of money by the refund tax rate) in the month in which refunds were paid. Some States also maintain and report a record of refunds certified in each month, as well as refunds paid. Either approach is acceptable for form FHWA-551M.

The following kinds of refund categories for all motor fuels are typical:

- ! Private and commercial vs. public (government) entity
- ! Within public use, Federal vs. State and local

! Highway vs. nonhighway

Within the private and commercial nonhighway gasoline category, the following classes are typical:

! Agriculture

! Aviation

! Industrial and commercial

! Construction

! Marine

These five categories are listed as items 4.a. to e. on FHWA-551M. Refund classifications that do not fall into these categories (e.g., transit, charitable institutions, etc.) should be entered on the blank lines provided, 4.f. through 4.s. When changes in tax law introduce a new refund category, please provide a brief narrative description with the first report on which it appears in Notes and Comments on page 2. This information allows FHWA to interpret the data properly in its analyses. Once an refund type has been assigned a line number, it should be retained for all future submissions. Data, including line numbers, are entered directly from form FHWA-551M, and consistent coding makes it possible to track specific categories.

Item 4.t. is the total of items 4.a. to 4.s.

Item 5. Net volume taxed.— Record in this section the fuel volume which was ultimately taxed, either at the maximum rate or a lower rate.

Item 5.a. At full rate.— Enter the volume taxed at the full prevailing highway-user tax rate after deducting full exemptions, full refunds, and the volume effectively taxed at less than the full rate (see below).

Items 5.b. to i. Taxed at initial lower rate, partially exempt, partially refunded— Enter the fuel volume on which the State ultimately retains some tax payments, but less than the highest rate for the particular fuel type. This includes classes taxed at an initially lower rate (aviation is common), those granted a partial exemption (such as transit), and those categories for which only part of the initial tax payment is refundable (e.g., 4 cents of 7 cents refunded for agricultural use equals an effective tax rate of 3 cents). Enter each category of use, or user granted special tax treatment, on a separate line. When changes in tax law introduce a new category, please provide a brief narrative description with the first report on which it appears in Notes and Comments on page 2. This

information allows FHWA to interpret the data properly in its analyses. Once a category has been assigned a line number, it should be retained for all future submissions. Data, including line numbers, are entered directly from form FHWA-551M, and consistent coding makes it possible to track specific categories.

Item 5.j. Total.— This item is the total of items 5.a. through i. and is also equal to item 3. less item 4.t.

Item 6. Source of data.— Enter the following: (a) the name of the agency preparing the report and, (b) the name of the person compiling the data.

Notes and Technical Information (page 2) Instructions

Identifying Information.— Complete the upper right-hand corner as on page 1.

Item 1. Rate of tax at end of month, in cents per gallon or liter.— Complete this item on the January report and whenever the fuel tax rates change. Give the basic rate(s) of motor-fuel tax as of the last day in the month in the blanks provided (1.a. to 1.j.). Please specify the volume unit (gallon or liter) associated with the tax rate. Fuel types or special tax rates not covered in the first eight blanks can be entered in 1.i. and 1.j. If the State has a fuel tax levied as a percentage of price, rather than on a cents-per-volume basis, enter the percentage in the blank(s) and briefly explain the application basis (e.g., "3 percent of wholesale gasoline price excluding Federal tax") in a note. Note the effective date of changes reported.

Item 2. Computation of gross volume reported (page 1.) item 1.— Enter the information used to adjust gross sales by wholesalers or retailers to reflect IFTA fuel consumption in the State. Specify the month or months covered by the IFTA fuel volume used to adjust the gross sales.

Item 3. Stratification of gasohol by blend ratio.— Indicate the stratification of the gasohol volume reported in item 1. on page 1 into the three categories shown. Enter actual or estimated volumes (gallons or liters) or percentage shares.

INSTRUCTIONS FOR FORM FHWA-556

Form FHWA-556 is designed to record the actual collections of the State motor-fuel tax during a calendar or State fiscal year and to record other receipts incidental to the administration of this tax. It also shows, by major items, the distribution of tax receipts. Form FHWA-556

serves as a measurement of the flow of funds from collecting agency to expending agency. Receipts should be segregated to show revenues derived from gasoline (including gasohol and neat alcohol) (page 1, column (A)) and from other motor fuels (page 1, column (B)) separately. Total receipts and refunds should reconcile closely to the fuel volume reported on FHWA-551M with proper allowance for lag between amounts due and paid. If they do not, a reconciliation should accompany FHWA-556.

Form FHWA-556 report should be compiled from records of the State motor-fuel tax collecting agency and other agencies responsible for the collection and distribution of the funds. However, if the only action taken by the collecting agency is to turn the receipts over to the State treasurer, who distributes the money to the agencies that expend it, then it is preferable that form FHWA-556 be prepared from records of the State treasurer, auditor, or comptroller, depending on which of these officers maintains the authoritative record of the distribution of the funds concerned.

Page 1 of the form provides for an accounting of the receipt and distribution of funds. Separate columns are provided to record column (A) gasoline, gasohol, and neat alcohol taxes, column (B) diesel and other special-fuel taxes, and column (C) other receipts. All entries should be rounded to whole dollars. Page 2 of the form contains space for entering the State name, the year, notes and comments, a reconciliation with form FHWA-551M if needed, and a reference to identify the source of the records. In the following instructions, all items are numbered to correspond to the appropriate items on form FHWA-556.

Item 1. Receipts for year.— Enter the total collections from motor-fuel taxes and other fees and taxes incidental to motor-fuel tax administration as described below:

Item 1.a. Volume tax collections.— Report the collections from fuel-volume taxes— taxes imposed per gallon or liter of fuel. There is usually a lag of 1 or 2 months between the use of the gasoline, as reported on form FHWA-551M, and the payment of the tax to the State. However, since the lag in any given year is very similar to the preceding year's pattern, collections should be reported in the year received.

Collections from the taxation of motor fuel used by interstate motor carriers, often referred to as motor-carrier road taxes or fuel use taxes, should be reported on form FHWA-556 and not on form FHWA-571. (Form FHWA-571, described in Chapter 5 of this Guide, is designed to record other taxes and fees on motor carriers that do not fall under the motor-fuel tax laws.)

Since motor fuel tax receipts, including IFTA revenues received from other States, are volume-tax receipts, they should be included with other volume-tax receipts in item 1.a.(1) or 1.a.(3), of columns (A) and (B) for gasoline and special fuels respectively. The amounts refunded or credited to interstate motor carriers, or IFTA receipts sent to other States, should be reported in item 1.a.(4) of columns (A) and (B) with other volume-tax refunds. Consequently, the net collections of motor-carrier road taxes, whether positive or negative, will be reflected in item 1.a.(5), net receipts. Please note on page 2 if IFTA revenues have been included in the items discussed in this paragraph.

In order for the FHWA to be able to reconcile the receipts reported on form FHWA-556 and the fuel volume reported on form FHWA-551M, the following information should be footnoted by fuel type on page 2 of form FHWA-556:

- ! Reported IFTA fuel tax receipts— the funds remitted with the fuel tax returns under IFTA.
- ! Refunds or credits of fuel tax under IFTA.
- ! Net IFTA fuel tax receipts (may be either positive or negative)

Item 1.a.(1) Gross collections by distributors.— Record the gross amount collected under the volume tax on motor fuel prior to deduction of allowances granted to distributors for collection expenses. Show total gasoline, neat alcohol, and gasohol tax receipts in column (A) and tax receipts from other motor fuels, including diesel, propane, butane, and other special fuels, in column (B).

Item 1.a.(2) Less: distributor allowance for collection expense.— Record the total amount of the cash allowances made during the year to distributors (or deducted by them) in consideration of prompt payment, the costs of collecting the tax and preparing reports, and so forth. Do not include loss allowances either here or in item 1.a.(1).

Item 1.a.(3) Gross receipts by State.— Record the gross amount actually received by the State from the volume tax during the year. In States that make no allowances for distributors' collection expenses, items 1.a.(1) and 1.a.(3) should be identical.

Item 1.a.(4) Less: refunds and credits.— Actual refunds and credits of the motor-fuel tax issued during the year should be entered here.

Item 1.a.(5) Net receipts.— Record the net receipts of the volume tax remaining for distribution after payment of refunds.

Item 1.b. All other receipts under motor-fuel tax laws.— Record the receipts from sources other than the volume tax. These receipts are collected as incidental to the administration of the motor-fuel tax laws or the inspection of motor fuel.

Item 1.b.(1) Distributor and dealer licenses.— Enter the amount collected from motor-fuel distributor licenses and from special dealer licenses, pump inspection fees, and other direct taxes or fees imposed on sellers of motor-fuel. Receipts from general retail licenses or chain store taxes, which are levied on all types of business, are not regarded as special taxes on motor fuel and should not be included on the report.

Item 1.b.(2) Motor-fuel inspection fees.— Show the amount of fees collected for the inspection of motor fuel. In some States, these fees are imposed merely to defray the cost of inspection; in others, they are a source of considerable revenue. It is desirable to exclude from the report, insofar as possible, all fees charged for the inspection of petroleum products other than motor fuels and also to exclude inspection fees paid on motor fuel used for nonhighway purposes, such as agriculture, aviation, and so forth.

If the receipts from inspection fees on petroleum products are not segregated according to products inspected or their use, the amount received from the inspection of motor fuel may be estimated on the basis of data reported on form FHWA-551M or form FHWA-556. The amount thus estimated should be entered in item 1.b.(2). If estimates are made as outlined above, the entry in item 1.b.(2) should be supported by a note or supplementary statement giving the total receipts from inspection fees and setting forth the computation by means of which the entry in item 1.b.(2) was estimated.

Item 1.b.(3) Fines, penalties, and interest.— Report the amount of fines and penalties collected in connection with the administration of the motor-fuel tax and inspection laws. Also include interest on delinquent collections.

Item 1.b.(4) Motor-carrier fuel tax registration (decals).— Report the income from the fuel tax registration decal fees required of motor carriers. States generally require motor carriers to display proof of fuel-tax registration in the form of a decal. Include the fees for decals issued under IFTA and any other base-State fuel tax agreement.

Items 1.b.(5) Alternative fuel tax decals (in lieu of volume tax).— Many States provide for the issuance of decals or other markers to vehicles that burn alternative

fuels, such as liquefied petroleum gases, liquefied natural gas, and compressed natural gas. The fees collected are in lieu of the collection of fuel tax on the fuel the vehicle consumes. Enter the income from such decals.

Items 1.b.(6)-(9).— Space is provided here for other receipts that do not fall under the first five classifications of item 1.b. The nature of any entries in these four lines should be described in the space provided or in notes on page 2 of the form. State sales tax applied to motor-fuel purchases should be reported in item B.4. on form FHWA-531. (See FHWA table S-106 in *Highway Taxes and Fees, How They Are Collected and Distributed* for examples and Chapter 8 of this Guide for instructions.)

Assessments are an example of receipts that may be reported in these lines. Assessments are taxes which the State determines, through audits or reviews of taxpayer returns, that the taxpayer owes and did not previously report and pay. Assessments should be reported for the year that payment was received, regardless of the year or years for which the assessments were made. If assessments are subsequently reduced or canceled, adjustments should be reported for the year in which the adjustments are made. The revenue represented by assessments should be reported on form FHWA-556, and identified a note on form FHWA-551M, page 2. Some States cannot separate assessments from other motor fuel receipts and therefore should report assessments in item 1.a.3., Gross Receipts by State.

Some States have imposed special environmental taxes for leaking underground storage tanks or spill cleanup. These should not be reported on form FHWA-556 unless (1) the imposition is exclusively on motor fuels or (2) the rate for motor fuels differs from that imposed for any other petroleum products (heating fuel, jet fuel, etc.).

Items 1.b.(10).— Enter the total of items 1.b.(1) through 1.b.(9).

Item 1.c. Net total receipts.— Record total receipts for the year for each column.

Item 2. Nonhighway dedications of volume tax from nonhighway gasoline.— Show the proceeds from the taxes on *nonhighway* uses of gasoline (only) that were dedicated for the improvement and/or operation of *nonhighway* facilities or for related activities. A typical example is the dedication of the receipts (known or estimated) from motorboat use of gasoline to construction and maintenance of boating facilities such as ramps and docks. Some States dedicate the revenue from aviation gasoline to an airport improvement fund. To be included in item 2., the funds must be both (1) from the taxation of

gasoline used for nonhighway purposes and (2) dedicated for nonhighway purposes.

Item 3. Adjusted total receipts.— Subtract item 2.e. from 1.c. and enter it here.

Item 4. Deductions by State collecting agency.— Record the amounts retained or deducted by the collecting agency prior to depositing the net collections in the State treasury or otherwise disposing of them. The amount deducted may represent either actual amounts expended, or a flat percentage of collections.

In some cases, the total collections are deposited to the credit of the State highway agency fund, and expenses of the collecting agency are paid or appropriated from the fund. In such cases, no entry need be made in item 4., and the entire distribution should be shown in item 8. Collection expenses paid by State highway agencies should be deducted on form FHWA-531, item B.1.b., rather than on this form.

If collecting agency expenses are funded by another revenue source not reported in item 1., then that revenue source should be identified in a note, along with the actual expenditures of the collecting agency.

Item 4.a. Expense of collecting and administering volume taxes.— Self-explanatory.

Item 4.b. Expense of inspecting motor fuel.— The cost of inspection may be interpreted to include the cost of administering the fuel inspection laws as well as the actual inspection and testing. In States where the cost of motor-fuel inspection is not kept separately from the cost of inspecting kerosene and other petroleum products, the cost may be prorated on the same basis as the receipts from inspection fees and only the motor fuel portion reported on the form. In States that grant refunds for nonhighway uses, it will be possible to compute, on a pro rata basis, the cost of inspecting motor fuel used for highway purposes. This reduced amount should be entered in item 4.b. When such computations are made, the details should be given in notes on the form or on an attached schedule.

Item 4.c.— Record other costs or deductions by the collecting agency, such as those in connection with the miscellaneous receipts in items 1.b.

Item 4.d. Total.— Add all the deductions recorded in item 4.

Item 5. Net proceeds available for distribution.— Record net receipts after deducting item 4.d. from item 1.c.

Item 6. Balance undistributed at end of previous year.— Any balances in the hands of the State collecting agency, or to its credit, at the beginning of the year should be recorded in item 6. If the amount differs from that reported as undistributed at the end of the previous year, a note should explain the adjustment. If form FHWA-556 is prepared from the records of the State treasurer, auditor, or comptroller, the balance may be the amount on hand in a revolving fund; in some cases, this fund balance may need to be combined with any amounts in the hands of the collecting agency to account for the total amount of undistributed funds.

Item 7. Total funds available for distribution.— Enter the sum of items 6. and 7.

Item 8. Amounts distributed.— The allocation of motor-fuel revenues to the expending agencies or funds should be shown in item 8. In general, the distribution should be consistent with the provisions of table MF-106 in *Highway Taxes and Fees, How They Are Collected and Distributed*, or current statutes where they differ from those in table MF-106. In the event motor-fuel revenues, together with other road-user taxes, are placed in an intermediate clearing fund, such as a highway-users tax distribution fund, a balanced statement of the clearing fund should accompany form FHWA-556.

In several States, net income from inspection fees is credited to the State general fund. The prorating of receipts from inspection fees to exclude receipts from petroleum products other than motor fuel and receipts from motor fuel used for nonhighway purposes should be carried through to the data on distribution of these revenues.

Items 8.a.-8.j.— Use these lines as necessary to record the distribution of motor-fuel tax revenues as provided under State law— for example, funds allocated to counties or cities for roads, county general funds, schools, State general funds, and the State highway agency or department of transportation. (These distributions appear in table MF-106.) Amounts reported should be consistent with comparable amounts reported on forms FHWA-531 and FHWA-536.

Item 8.k. Total.— Add all the amounts distributed in item 8.

Item 9. Balance undistributed at end of year.— Enter the amounts remaining after deducting item 8.k. from item 7.

MONTHLY MOTOR-FUEL CONSUMPTION						State Name	
						Year	
						Month of Sale or Transfer	
						Gallons	Liters
Item	Line No.	Gasoline (1)	Gasohol (2)	Private and Commercial Highway Diesel (3) Highway Liquefied Petroleum Gases (4)		Total (5)	
1. Gross Volume Reported	01	0	0	0	0	0	
2. Fully Tax Exempt	a. Losses-Flat %	21	0	0	0	0	
	b. Losses-Actual	22	0	0	0	0	
	c. Federal	23	0	0	0	0	
	d.	24	0	0	0	0	
	e.	25	0	0	0	0	
	f.	26	0	0	0	0	
	g.	27	0	0	0	0	
	h.	28	0	0	0	0	
	i.	29	0	0	0	0	
	j. Total (a. thru i.)	30	0	0	0	0	
3. Gross Volume Taxed (1.-2.j.)	40	0	0	0	0	0	
4. Fully Refunded	a. Agriculture	51	0	0	0	0	
	b. Aviation	52	0	0	0	0	
	c. Industrial/Commercial	53	0	0	0	0	
	d. Construction	54	0	0	0	0	
	e. Marine	55	0	0	0	0	
	f.	56	0	0	0	0	
	g.	57	0	0	0	0	
	h.	58	0	0	0	0	
	i.	59	0	0	0	0	
	j.	60	0	0	0	0	
	k.	61	0	0	0	0	
	l.	62	0	0	0	0	
	m.	63	0	0	0	0	
	n.	64	0	0	0	0	
	o.	65	0	0	0	0	
	p.	66	0	0	0	0	
	q.	67	0	0	0	0	
	r.	68	0	0	0	0	
	s.	69	0	0	0	0	
	t. Total (a. thru s.)	70	0	0	0	0	
5. Net Volume Taxed	a. At Full Rate	81	0	0	0	0	
	b. Aviation	82	0	0	0	0	
	c.	83	0	0	0	0	
	d.	84	0	0	0	0	
	e.	85	0	0	0	0	
	f.	86	0	0	0	0	
	g.	87	0	0	0	0	
	h.	88	0	0	0	0	
	i.	89	0	0	0	0	
	j. Total (a. thru i., 3.-4.t.)	90	0	0	0	0	
6. Source	a. Agency Preparing this Report						
	b. Compiled under Direction of						

NOTES AND TECHNICAL INFORMATION	State Name
	Year
	Month

1. Rate of tax at end of month, in cents per gallon or liter.
 (If tax is ad valorem, post percentage, and briefly explain basis below.)

	Rate (cents)	Effective Date
a. Gasoline	0	mm/dd/yy
b. Gasohol	0	mm/dd/yy
c. Diesel	0	mm/dd/yy
d. LPG	0	mm/dd/yy
e. CNG	0	mm/dd/yy
f. M85	0	mm/dd/yy
g. E85	0	mm/dd/yy
h. LNG	0	mm/dd/yy
i.	0	mm/dd/yy
j.	0	mm/dd/yy

2. Computation of gross volume reported (page 1, item 1.)

	Gasoline	Special Fuels
Gross sales from sellers' returns	0	0
Plus: IFTA fuel used in State (from users' returns)	0	0
Less: IFTA fuel purchased tax paid in State (from users' returns)	0	0
= Gross consumption in State (Enter on page 1, item 1.)	0	0

Interstate motor-carrier (fuel use tax) fuel volume shown above covers period:
(Specify month or months covered)

3. Stratification of Gasohol by Blend Ratio

The gasohol volume shown on page 1, column (2) includes:
(Show actual/estimated volume or percentage shares)

Percent Alcohol	Volume	Percentage Share
5.7-7.6%	0	0.0%
7.7-9.9%	0	0.0%
10 + %	0	0.0%

4. Notes and Comments

The public report burden for this information collection is estimated to average 12 hours.

STATE MOTOR-FUEL TAX RECEIPTS AND INITIAL DISTRIBUTION BY COLLECTION AGENCIES			STATE NAME		
					YEAR ENDING
ITEM		VOLUME TAXES		OTHER RECEIPTS	TOTAL
		GASOLINE	SPECIAL FUELS		
		(A)	(B)	(C)	(D)
1. Receipts for Year					
a. Volume Tax Collections	(1) Gross collections by distributor				
	(2) Less: distributor allowance for collection expense				
	(3) Gross receipts by State (1) - (2)				
	(4) Less: refunds and credits				
	(5) Net receipts (3) - (4)				
b. All Other Receipts Under Motor- Fuel Tax Laws	(1) Distributor and dealer licenses				
	(2) Motor-fuel inspection fees				
	(3) Fines, penalties, and interest				
	(4) Motor-carrier fuel tax registration (decals)				
	(5) Alternative fuel tax decals (inlieu of volume tax)				
	(6)				
	(7)				
	(8)				
	(9)				
	(10) Total (1) thru (9)				
c. Net Total Receipts a. + b.					
2. Nonhighway Dedications of Volume Tax from Nonhighway Gasoline	a.				
	b.				
	c.				
	d.				
	e. a. thru d.				
3. Adjusted Total Receipts 1 - 2					
4. Deductions by State Collecting Agency ¹	a. Expense of Collecting & Administering Volume Taxes				
	b. Expense of Inspecting Motor Fuel				
	c.				
	d. Total a. + b. + c.				
5. Net Proceeds Available for Distribution 3. - 4.					
6. Balance Undistributed at End of Previous Year					
7. Total Funds Available for Distribution 5. + 6.					
8. Amounts Distributed (Specify Fund or Purpose)					
a.					
b.					
c.					
d.					
e.					
f.					
g.					
h.					
i.					
j.					
k. Total a. thru j.					
9. Balance Undistributed at End of Year 7. - 8.					

¹ If collecting agency activities are funded by another revenue source, note this fact and provide the actual collection and administrative expenses in a footnote.



Preparation for Motor Fuel Reviews

There are two objectives for motor fuel reviews:

- To determine if motor fuel data reporting is in conformance with the requirements in A Guide to Reporting Highway Statistics. It is critical that FHWA be able to present the data on a comparable basis for all States because of the use of motor fuel data in the apportionment of Federal-aid highway funds.
- To improve FHWA's understanding of the State's motor fuel taxation. A thorough understanding of the tax system ensures that FHWA correctly interprets State data in the FHWA analyses.

A standard set of questions is used for each review (copy attached), supplemented with questions specific to the State.

Items to have on hand for the review:

- Blank samples of the fuel tax return forms including those used by motor carriers.
- Samples of any Department of Revenue reports used in preparing Forms FHWA-551M and FHWA-556. It is important that someone with a good understanding of the Department of Revenue reports attend the review, even if this person doesn't complete the FHWA forms. A common source of error is misinterpretation of revenue reports by persons completing the FHWA reports

GUIDELINE FOR FIELD OFFICE REVIEWS OF MOTOR FUEL REPORTING

1. When is the FHWA-551M report prepared and submitted?

The Guide to Reporting Highway Statistics (Guide) provides for reporting not later than 90 days after the close of the month for which the data are being reported.

2. If the report is not transmitted within 90 days, what are the reasons? What improvements can be achieved to permit more timely reporting?

Timely reporting of this information is critical.

3. Is the report submitted to the correct office?

The report should be submitted to:

Federal Highway Administration, Office of Highway Policy Information (HPPI), Suite 3306, 400 7th Street, SW, Washington, DC 20590 (*A copy should be furnished to the division office at the same time*)

4. For which month should motor fuel gallons be reported?

Motor fuel gallons should be reported for the month during which the fuel was sold (or transferred), rather than the month tax collections were received.

5. Are gasoline and gasohol reported separately?

Gasoline and gasohol should be reported separately. If they are not, this should be cited as a deficiency. The State should be encouraged to report actual gasohol gallons; if this is not possible, then the State should develop an acceptable procedure for estimating gasohol gallons. Gasohol gallons reported in Column 2 should be excluded from gasoline gallons reported in Column 1.

6. Do gasohol gallons reported in Column 2 only include blends which meet the criteria established on page 2-3 of the Guide? Are you reporting gasohol blends on page 2 of the Form?

Gasohol should include the three different types as defined by Federal law and identified as percentage by type on page 2. Gasoline/alcohol blends include: alcohol produced from petroleum, natural gas, or coal. Gasoline/alcohol blends, of which the alcohol is less than 190 proof, or blends which have a alcohol content of 5.7% or less by volume, should be excluded.

7. For other than diesel fuel, do gross gallons reported include:

a. Sales to the U.S. Government (including military and National Guard)?

b. Losses?

c. Other classes of use (including aviation) that are partially tax-exempt or that are taxed at an initial rate lower than the general rate applicable to highway use?

For fuel other than diesel fuel, gross gallons reported should include all fuel except exports and dealer-to-dealer transfers.

Aviation fuel reported in gross gallons should include aviation gasoline only, not jet fuel. If aviation fuel can only be reported annually, please note on page 2. If the State cannot separate aviation gasoline from jet fuel, aviation use should be omitted entirely from FHWA-551M, and should be accordingly footnoted on page 2. In addition, if aviation fuel use is omitted from the FHWA-556, a note to that effect should appear on the FHWA-556 each year. In these cases, FHWA will add in estimated aviation gasoline gallons from Department of Energy data.

8. Is diesel fuel gallons reported for highway use only?

On Form FHWA-551M only highway fuel use should be reported. For States that report total fuel use (highway, nonhighway, and losses), appropriate notes should be included on page 2 to explain losses and nonhighway use. If the State prefers, it may show the actual gross volume along with exempted and refunded fuel volumes and provide the detail necessary for FHWA to deduct losses as well as nonhighway and public use. A few States have more than one rate for taxing diesel fuel. In these cases, States should provide detailed information.

9. Do gross gallons reported for special fuel exclude public use (Federal, State, and local)?

Public fuel use (other than local transit use) should be excluded from gross gallons reported. It is apparent, however, that nonhighway public uses are difficult to determine. For example, in some States, diesel fuel is taxed at the retail level and gallons sold untaxed for public use may not be included in the State reporting system. To maintain comparability among States, Highway Statistics tables report use of special fuel excluding public use. States should include transit gallons in identifying how the fuel was taxed: at full rate, exempt, refunded partially refunded, or taxed at an initially lower rate.

10. Is interstate motor-carrier fuel use properly accounted for on Form FHWA-551M?

Complete and accurate reporting of interstate motor-carrier fuel use is critical to an accurate presentation of total motor fuel use by State. The objective is to report fuel use by interstate motor carriers within the State, rather than reporting fuel sales within the State. By coincidence, sales may equal use in some States; however, in most States, an adjustment (positive or negative) is necessary, based on interstate motor-carrier fuel use reports.

Under International Fuel Tax Agreement (IFTA) rules, Interstate motor carriers are required by States to report fuel purchased and used within the State. If a motor carrier uses less fuel in a particular State than it purchased in that State, excess taxes paid by the carrier are refunded. On the other hand, if a motor carrier uses more fuel in a State than it purchased in that State, the carrier must pay additional taxes. The difference between fuel purchased in the State and fuel used in the State (obtained from all interstate motor carrier fuel use reports) is the amount that should be reported on Form FHWA-551M. (See the 1997 revision of the Guide for more detail concerning this subject.) As Indicated in the Guide, and as discussed above, States should report both total fuel (gasoline and diesel) used within the State by interstate motor carriers. The difference is then added to or subtracted from the gallons reported by distributors and bulk users within the State using IFTA rules, carriers report these adjustments to their home base State, and the States make payment adjustments among themselves.

There are two ways to arrive at net fuel use by interstate motor carriers. Examples are provided below:

Example #1	Gasoline	Diesel
Fuel used by interstate motor Carriers within the State	5,000,000	35,000,000
Fuel purchased by interstate motor carriers within the State	3,000,000	40,000,000
<i>Net gallons (to be added to or subtracted from gross gallons reported by distributors and bulk users)</i>	+2,000,000	-5,000,000

This example is based on the difference between fuel used within the State but purchased outside the State, and fuel purchased within the State but used to obtain net gallons. Although this provides satisfactory results, it does not present the complete picture of interstate motor-carrier fuel use that the second example provides. An example showing this approach is provided below:

Example #2	Gasoline	Diesel
Fuel purchased by interstate motor carriers outside the State but used within the State	3,000,000	18,000,000
Fuel purchased by interstate motor carriers within the State but used outside the State	1,000,000	23,000,000
<i>Net gallons (to be added to or subtracted from gross gallons reported by distributor and bulk users)</i>	+2,000,000	-5,000,000

11. Do any intra-State motor carrier filings affect revenue or gallons reported? Is this information included in the State's data?

a. How are IFTA gallons reported?

12. Are assessments reported in line 1a for the month in which assessments were made or the month in which payment was received and noted on page 2?

Assessments are gallons that the State determines, through audits or review of taxpayer returns, that the taxpayer owes tax on and did not report as taxable gallons. They should be reported for the month that payment was received regardless of when the assessments were made. Some assessments may be reduced or canceled, requiring later adjustments of gallons for States that report assessments when made. It is common practice among most States not to consider assessments as real gallons until payment is received.

13. Should tax rates be entered on the January report and in any month in which a rate change becomes effective?

It is especially important to report changes in the tax rates for the month in which new rates became effective. The information on tax rates provided by the States is used to verify the accuracy of data obtained from other sources (e.g., Lexis-Nexis, Commerce Clearing House, etc.).

14. At what points are the State gasoline and diesel taxes collected?

Are taxes collected from: the terminal, the wholesaler or distributor, the retailer or the end user? Review Attachment A with the State and verify if the Attachment is correct. Provide corrections if necessary.

15. Has the State adequately documented motor fuel reporting and estimating procedures?

Reporting and estimation procedures used by the States in determining gasohol and net IMC use should be well documented. This is important to assure consistency of reporting on a year-to-year basis and to provide continuity as staff changes occur at the State. Copies of written procedures should be furnished to FHWA Headquarters along with a copy of the review.

16. Are gasoline tax exempt and fully refunded uses handled in accordance with reporting instructions in the Guide?

17. Does the State have any continuing legal or enforcement issues affecting the collection of motor fuel taxes?

Examples of these types of issues include: untaxed motor fuel sales to the general public on Native American reservations, or unreported fuel shipped into the State from a neighboring State with lower taxes.

FHWA-556 - State Motor-Fuel Tax Receipts and Initial Distribution by Collection Agencies

1. Should motor fuel receipts entered separately for gasoline and special fuels?

Receipts should be entered separately by fuel type. If no differentiation is made to the data processing by the motor fuel tax agency, a note should be added on page 2 of the Form indicating the approximate amounts apportioned to each fuel type. This is especially important when the tax rates differ for gasoline and diesel fuel.

If the State omits aviation use gallonage from FHWA-551M due to an inability to segregate aviation gasoline from jet fuel in its tax reports, the receipts from aviation use should likewise be omitted from FHWA-556, with an accompanying note explaining the omission FHWA will add in appropriate revenue corresponding to the estimated aviation gasoline gallonage it added to FHWA-551M.

2. Are entries in 1b, All other receipts under Motor Fuel Tax Law, adequately identified?

This type of receipt should be identified with enough specificity so that FHWA will know how to classify treat it in the analysis. For example, Motor Carrier Road Tax will be treated as a gallonage tax, whereas such items as Truck Identification, Special Fuel User Permits, etc., will be classified as Other Related Receipts.

3. Are gasoline/diesel fuel revenues being reported on other 500 series Forms? For example, Form FHWA 571 which could include interstate/intrastate fuel usage?

Attachment A:

State	Gasoline	Diesel	Dyed Fuel Penalties	Effective Date
Alabama	Distributor	Distributor	Yes	10/01/95
Alaska	Distributor	Distributor		
Arizona	Terminal	Terminal	Yes	1/01/98
Arkansas	Distributor	Distributor	Yes	4/06/95
California	Refinery	Terminal	Yes	7/01/95
Colorado	Distributor	Distributor		
Connecticut	Distributor	Distributor		
Delaware	Distributor	Distributor		
District of Columbia	Distributor	Distributor		
Florida <i>d</i>	Terminal	Terminal	Yes	7/01/96
Georgia <i>d</i>	Distributor	Distributor	Yes	7/01/95
Hawaii	Distributor	Distributor		
Idaho	Distributor	Distributor	Yes	1/01/96
Illinois	Distributor	Distributor		
Indiana	Distributor	Terminal	Yes	10/01/93
Iowa <i>d</i>	Terminal	Terminal	Yes	1/01/96
Kansas <i>d</i>	Distributor	Distributor	Yes	7/01/95
Kentucky	Distributor	Distributor		
Louisiana	Distributor	Distributor	Yes	10/01/95
Maine	Distributor	Distributor	Yes	6/21/95
Maryland	Distributor	Distributor		
Massachusetts	Distributor	Distributor		
Michigan	Terminal	Terminal	No	1/01/93
Minnesota <i>d</i>	Distributor	Distributor	Yes	1/01/95
Mississippi	Distributor	Distributor	Yes	7/01/95
Montana <i>d</i>	Distributor	Distributor	Yes	1/01/94
Nebraska <i>d</i>	Distributor	Distributor	Yes	7/01/94
Nevada	Distributor	Distributor	Yes	1/01/96
New Hampshire	Distributor	Distributor	Yes	1/01/97
New Jersey	Distributor	Retailer		
New Mexico	Distributor	Distributor		
New York	1st Receipt	1st Receipt		

North Carolina <i>d</i>	Terminal	Terminal	Yes <i>a</i>	1/01/96
North Dakota	Distributor	Distributor	<i>b</i>	4/01/97
Ohio	Distributor	Distributor	Yes	10/01/96
Oklahoma <i>d</i>	Terminal	Terminal	Yes	10/01/96
Oregon	Distributor	Retailer		
Pennsylvania	Distributor	Distributor	Yes	10/01/97
Rhode Island	Distributor	Distributor		
South Carolina <i>d</i>	Terminal	Terminal	Yes	5/01/96
South Dakota <i>d</i>	Terminal	Terminal	Yes	1/01/96
Tennessee <i>d</i>	1st Receipt	Terminal	Yes	1/01/96
Texas	Distributor	Distributor		
Utah	Distributor	Terminal	No	7/01/97
Vermont	Distributor	Distributor / Bulk User		
Virginia	Distributor	Distributor	Yes	7/01/95
Washington	Distributor	Retailer		
West Virginia	Distributor	Distributor	Yes	6/01/96
Wisconsin	Terminal	Terminal	Yes	4/01/94
Wyoming <i>d</i>	Terminal	Terminal	Yes	1/01/97
Total				
Terminal or higher	13	15		
Below Terminal	38	38		
With dye provisions			29	

Underlining indicates items changed on effective date shown. The term Distributor includes suppliers and wholesalers.

a North Carolina dyed fuel penalties effective 1/01/95.

b North Dakota-Dyed fuel when used for highway purposes is assessed the 20-cent per gallon tax.

c Tennessee-Collection point for diesel fuel changes from the distributor to the terminal level effective 1/01/98.

d Destination State required on shipping documents (effective 1/01/98 for Tennessee).

Prepared by Federal Highway Administration (FHWA). Contact Stephen Baluch (202-366-9243) or Linda Morris (202-366-9234) to report updates or corrections.

[Back to Motor Fuel/HTF page](#)

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United States Department of Transportation - **Federal Highway Administration**

V. Survey of Native American Issues

In October, 1996, a survey was conducted by the Motor Fuels Section of the Federation -of Tax Administrators (FTA), and updated in December, 1999. Information for Kansas did not appear in the report. The survey questions were:

1. What exemptions, if any, does your state allow Native Americans?
2. Does your state have agreements for the collection of taxes with all tribes who operate retail outlets selling tobacco, gas or diesel?
3. Does your state have a restriction on expenditures from the fuel tax fund (i.e. all revenues must be spent on road construction and maintenance)?
4. Does your state have a mechanism in place to ensure that tribal sales to are not subject to tax?
5. Is it a refund to the tribal member?
6. Has your state estimated the amount of fuel sold in the state which has not been subjected to the full state tax?
7. What are those estimates?
8. Is your state in litigation with the tribes regarding excise tax issues?
9. Is your state in active negotiations with the tribes regarding these issues?
10. Have you received complaints from citizens regarding untaxed sales by Native American retailers?
11. At what point is motor fuel taxed in your state?

Gasoline –
Diesel -
12. Is the one identified in question 11 considered the taxpayer, or are they an agent of the state, collecting tax from the end user on the state's behalf?
13. Contact person on this issue for your state:

Federal Highway Administration
Kansas Division
Topeka, Kansas

MEETING AGENDA

Date: November 29 - 30, 2001

Location: Kansas Department of Revenue
Topeka, Kansas

Purpose: Kansas Motor-Fuel Data Collection & Reporting Review

I. Introduction

II. Background

III. Guidelines

IV. Process

V. Comments and Suggestions

VI. Adjourn

Attendance Form
Kansas Motor-Fuel Data Collection & Reporting Review
November 29 - 30, 2001

NAME

JOB TITLE

ORGANIZATION

Vic Brown	REVENUE AGENT	IRS
STEVE FORST	FHWA KS PER.	FHWA
JOHN CATER	FHWA - IOWA DIVISION	FHWA
Byron Low	Statewide Planner	FHWA - MRC
Don Wilson	FHWA KANSAS - Finance	FHWA
Cindy Mongold	PSA II Motor Fuel - Kansas	KDOR
Edie Martin	PSEI Motor fuel - KS	KDOR
Patricia Platt	PSA II Motor Fuel KS	KDOR
Steve Neske	Financial Economist, KDOR	KDOR
Tom House	FHWA Transportation Chief Hwy Funding & motor fuel DIV.	FHWA
John Rohlf	Asst. Div. Admin	FHWA - KS
Reed W. Davis	Asst to Dir of Administration	KDOT
William R. Klassen	PER Eng.	FHWA - KS Div.
DAVID FRANKLIN	TRANS PLANNER	FHWA - IOWA DIV
Mark Huffines	Prog. Analyst, PIR Team	FHWA - KS Division



DEPARTMENT OF ADMINISTRATION
Division of Accounts and Reports

BILL GRAVES
Governor

JOYCE H. GLASSCOCK
Acting Secretary of Administration

DALE BRUNTON
Director of Accounts and Reports
900 S.W. Jackson, Room 351S
Landon State Office Building
Topeka, KS 66612-1248
(785) 296-2311
FAX (785) 296-6841
<http://da.state.ks.us/ar>

October 2, 2001

Mr. Dale Jost, Bureau of Fiscal Services
Department of Transportation
915 SW Harrison, Room 781-W
Topeka, KS 66612-1568

Dear Mr. Jost:

In accordance with Senate Bill 57, Section 120(c), Session of 2001, this office has prepared Revenue Transfer number R3000065 dated October 2, 2001, to process the following transfer:

	Account Title	Account Number	PCA Code	Revenue Sub-Obi	Amount Transferred
From:	State Highway Fund	276-4100-02-0403	01100	6602	\$7,350,000.00
To:	Division of Vehicles Operating Fund	565-2089-02-2020	85210	6601	\$7,350,000.00 726023

Questions concerning this matter should be directed to Jim Vogel of the Central Accounting Services Section at (785) 296-5304.

Sincerely,

Dale Brunton, Director
Division of Accounts and Reports

By: 
Jerry Berk, Manager
Central Accounting Services Section

DB:JV:dsb

cc: Division of the Budget
Legislative Research Department
Kansas Department of Revenue

Transient guest tax refund fund established by	
K.S.A. 12-1694a	No limit
Interstate motor fuel taxes clearing fund	No limit
Bingo refund fund	No limit
Transient guest tax refund fund established by	
K.S.A. 12-16,100	No limit
Inheritance tax abatement refund fund	No limit
Interstate motor fuel taxes refund fund	No limit
Interfund clearing fund	No limit
Local alcoholic liquor clearing fund	No limit
International registration plan distribution clearing fund ..	No limit
Rental motor vehicle excise tax refund fund	No limit
International fuel tax agreement clearing fund	No limit
Mineral production tax refund fund	No limit
Special fuels tax refund fund	No limit
L.P.-gas motor fuels refund fund	No limit
Local alcoholic liquor refund fund	No limit
Sales tax clearing fund	No limit
Rental motor vehicle excise tax clearing fund	No limit
VIPS/CAMA technology hardware fund	No limit

Provided, That expenditures may be made from the VIPS/CAMA technology hardware fund for CAMA software and VIPS software.

County and city retailers sales tax clearing fund—county	
and city sales tax	No limit
City and county compensating use tax clearing fund	No limit
County and city transient guest tax clearing fund	No limit
Automated tax systems fund	No limit
Dyed diesel fuel fee fund	No limit
Electronic databases fee fund	\$4,655,772

(c) On July 1, 2001, October 1, 2001, January 1, 2002, and April 1, 2002, the director of accounts and reports shall transfer \$7,350,000 from the state highway fund of the department of transportation to the division of vehicles operating fund of the department of revenue for the purpose of financing the cost of operation and general expense of the division of vehicles and related operations of the department of revenue.

(d) On August 1, 2001, the director of accounts and reports shall transfer \$75,000 from the accounting services recovery fund of the department of administration to the setoff services revenue fund of the department of revenue for reimbursing costs of recovering amounts owed state agencies under K.S.A. 75-6201 *et seq.*, and amendments thereto.

(e) On August 1, 2001, the director of accounts and reports shall transfer \$50,000 from the social welfare fund of the department of social and rehabilitation services to the child support enforcement contractual agreement fund of the department of revenue to reimburse costs of administrative expenses of child support enforcement activities under the agreement.

(f) On August 1, 2001, and on the first day of each month thereafter during fiscal year 2002, the secretary of revenue shall report to the director of the budget and the director of the legislative research department (1) the amount of any increase in the amount of taxes, interest and penalties collected in the immediately preceding month that is attributable to the implementation of the automated tax systems authorized by K.S.A. 75-5147 and amendments thereto, and (2) that portion of such monthly increase in the amount of taxes, interest and penalties which is currently required to pay one or more vendors pursuant to contracts entered into under K.S.A. 75-5147 and amendments thereto for the acquisition or implementation of such automated tax systems. Upon receipt of each such report from the secretary of revenue, the director of the budget and the director of the legislative research department shall jointly certify to the director of accounts and reports the amount reported that is required to be paid to such vendors and the director of accounts and reports

February 9, 2001

Re: Guide to Reporting Highway Statistics

Memorandum To: Mr. Steve Neske
Research & Planning Division

From: Mr. Kenneth Stodgell
Bureau of Transportation Planning
217 SE 4th Street
Topeka, KS 66603-3504

The Kansas Department of Transportation is requesting your assistance in the preparation of the Federal Highway Administration (FHWA) forms:

- ✓ #556 - State Motor Fuel Tax Receipts and Initial Distribution by Collection Agencies;
- ✓ #561 - State Motor Vehicle Registrations, Registration Fees, and Miscellaneous Receipts;
- ✓ #562 - State Drivers' Licenses and Fees;
- ✓ #566 - State Motor Vehicle Registration Fees and Other Receipts:
Initial Distribution by Collection Agencies.

Enclosed with this letter is the *Guide to Reporting Highway Statistics*, this is the updated version of the instruction guide and has the current forms you will need at the end of the appropriate chapter. Also, the Federal Highway Administration is requesting that we begin transmitting the completed forms electronically. A copy of a letter from Mr. Steve Foust, Assistant P&R Engineer with FHA to Mr. Warren L. Sick, Assistant Secretary and State Transportation Engineer of KDOT is enclosed for your information along with a diskette. If you have any questions about the new FHA procedure please contact Mr. Foust @ 267 7299 - ext 331. If you implement the new system please send a copy of your documents to me kens@ksdot.org.

We would appreciate having the forms **returned no later than March 15, 2001**. This will allow us sufficient time to meet our deadline of April 1.

Please return the requested material to Mr. Kenneth Stodgell, Bureau of Transportation Planning, Thacher Building, 217 SE 4th Street, Topeka, KS. 66603-3504.

REVIEW OF KANSAS MOTOR FUEL REPORTING

December 22, 1998

Purpose of Review

As the result of the Transportation Equity Act (TEA-21), State reported motor fuel use data has become more important in the apportionment of Federal highway dollars. Consequently, accurate reporting of motor fuel data is now a more important issue for the States.

The purpose of this review was to examine Kansas' reporting procedures of the monthly motor fuel consumption (Form FHWA 551M) and state motor fuel tax receipts (FHWA Form 556) data. The "Guidelines for Field Office Reviews of Motor Fuel Reporting" were generally followed in the conduct of this review.

Review Participants

Janet Buchanan, Kansas Department of Revenue
Patricia Platt, Kansas Department of Revenue
Dedra Platt, Kansas Department of Revenue
Reed Davis, Kansas Department of Transportation
Vic Brown, Federal Internal Revenue Service
Steve Foust, FHWA, Kansas Division Office
Stephen Baluch - FHWA Headquarters
Byron Low - FHWA Region 7

Discussion and Comments

General

The structure of this review was a question and answer type format with a focus on the 551M reported data. Kansas Department of Revenue (KDOR) staff provided a response to each of the motor fuel guideline questions prior to the review. Their responses formed the basis of this review and are attached for ready reference (Attachment 1).

KDOR is responsible for preparing the monthly 551M (Attachment 2) and the annual 556 reports. The reports are sent directly to FHWA headquarters with copies to the Division and Kansas Department of Transportation. The reports are being transmitted to FHWA within the specified time frames of the Highway Statistics guide.

The distributor first receiving the taxable product from the terminal rack is responsible for remitting the tax in Kansas. There are around 850 first receipt distributors in the State. Copies of KDOR's tax return forms and permits used by distributors are attached for information (Attachments' 3, 4, 5).

The following is an expanded discussion and/or clarification on several of KDOR's responses to 551M guideline questions.

Form 551M Gross Volume Reported (Item 1)

Gasoline and gasohol data comes directly from the Distributors monthly tax return report. Diesel volume is computed from the monthly diesel fuel net revenue (deposits less non-highway refunds). KDOR may switch to reporting diesel gallons from the monthly distributor summary if the FHWA 551M report is modified to treat diesel more similar to gasoline (i.e. showing exemptions, losses, refunds). If KDOR decides to make the switch, they need to be sure that all gallons for any prior revenue periods not yet reported are included.

Compressed Natural Gas usage is included with Liquefied Petroleum Gases. E-85 fuel is reported as gasohol. Other alternative fuels, if any, are included under diesel gallonage.

Form 551M Fully Tax Exempt (Item 2)

Kansas permits distributors a 2.5% handling allowance for gasoline. Headquarters caps this allowance at 1% in their adjustment process. A similar percentage loss is allowed by Kansas for diesel fuel and is excluded from highway use gallons as required. The State however would like to have these gallons shown and capped at 1% or less.

Actual losses are compiled from the distributors affidavits and approved by the State. The amounts are reported on the 551M for both gasoline and diesel.

Federal government use is fully exempt. State, county and municipal government highway use are fully taxed except for school buses. Diesel fuel used for transit is also fully taxed. Dyed fuel usage is not permitted. Refunds must be filed when fuel is for non-highway use. Dyed diesel fuel can be used by school buses.

KDOR will include a footnote on the 551M that diesel gallons include state, county and municipal government highway use. It will also note that the total does not include school bus usage.

The State is currently under a restraining order from collecting state tax from the three Native American tribes in Kansas (one station each). Information on gallon usage is not directly available from tribes but is available from distributor tax reports. Gallon usage is included on the 551M as Federal government sales. It is recommended that Native American gasoline sales be estimated and broken-out from Federal totals on item 2c and shown separately under item 2. It appears this would bring the Federal government usage closer to FHWA estimates. KDOR will adjust this figures back to July of 1997. Native American diesel fuel sales should also be estimated and broken-out from Federal totals and included diesel fuel reported

Form 551M Fully Refunded (Gasoline - Item 4)

All non-highway use (private, commercial) is subject to refunds. Business and individuals must file for the refunds. KDOR's monthly fuel worksheet has many non-highway use refund claim categories (Attachment 6). KDOR first identifies refunds by principal business type and then summarizes them into broader categories before including the totals on the 551M. Kansas Law does not allow the State to reveal data reported from fewer than four business entities in a particular category, therefore this data is placed in the "other" category. KDOR should attempt to identify all the fully refunded gallons reported as "other" (item 4j) into categories already shown on the 551M (i.e., Agriculture, Aviation, Industrial/Commercial, etc.) or as another identified refund category.

Any exempt or refund gallons for denaturing alcohol should be listed as a separate category. Highway school bus usage should be shown as a separate category if information is available.

State, county and municipal refunds for non-highway use should also be shown separately.

Form 551M - Page 2

All gasohol in Kansas is assumed to be a 10% blend and is taxed at the same rate as gasoline. Therefore, on page 2 of the 551M, line 3, the 10% should be 100%. Although gasohol usage in Kansas is small, it may be of benefit for the State to determine usage at the lower percentage. If time permits, State will consider ways of estimating the magnitude of lower percentage blends.

International Fuel Tax Agreement (IFTA)

Kansas has been an IFTA member for a number of years. Every Kansas-based motor carrier issued a permit under IFTA, is required to file a return each quarter (Attachment 7). IFTA returns are reported quarterly on the 551M when the quarterly Kansas base-State returns are compiled. This includes the Kansas carrier returns and the State monthly reports since the last quarter report. The State compiles the gallons from the other State's monthly reports after adjusting any gallon numbers that do not match the dollars submitted. It was suggested that the State report IFTA on a monthly basis for whatever State reports and carrier returns are processed that month.

FHWA Headquarter Adjustments

After the data is received by headquarters, it is entered into a database for the State and analyzed on a calendar year basis. The State's data is ultimately published in the Highway Statistics Book (Tables MF-21, MF-24, MF 27).

Because of the differences in motor fuel reporting between States, volume adjustments may need to be made by headquarters to reflect actual highway use. Most of these adjustments are to the non-highway and public use gasoline reported data. If State data is available and appears

reasonable, it will be used. Otherwise, estimates from other national sources will be used. These adjustments are usually discussed with the State before being applied.

Miscellaneous Comments

The fuel volume represented by assessments or late returns should be reported for the month in which payment is received. KDOR indicated that they would double check their current process for handling audit assessments and make the necessary changes in their reporting process.

We advised KDOR and KDOT staff that headquarters recently formed a work group to do a strategic reassessment of the motor fuel reporting process. This Federal-State work group will be reviewing the current reporting process and making recommendations for improvements to the current reporting structure. Throughout this process, input will be requested from States.

Janet

Steger co-chair of the NETASK Task Force for Motor Fuel Tax Compliance is a member of this work group. Any recommendations should be provided to her so they can be discussed by the work group.

KDOR prepares the data for the 551M using an Excel spreadsheet. However, the actual 551M report is submitted on paper forms. KDOR would submit the data electronically if an electronic version of the 551M was available in Excel format.

Conclusion

No significant reporting deficiencies were identified during this review. Good communication is being maintained between FHWA headquarters and KDOR staff regarding any questions or issues on the reported data. The Kansas Department of Revenue is doing a very good job of accurately reporting motor fuel data.

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79-3416

Chapter 79.--TAXATION

Article 34.--MOTOR VEHICLE FUEL TAXES

79-3416. Transportation of fuels; report; manifest; required statement. Every railroad, street railroad, interurban railroad or suburban railroad, every pipeline company, every common carrier, and every carrier for hire, who shall transport any liquid fuels, motor-vehicle fuels or special fuels, from any point outside of this state into this state, or between any two points in this state, or from any point in this state to any point outside this state, and every private carrier or other person who shall transport any liquid fuels, motor-vehicle fuels or special fuels from any other state into this state, or from this state into another state, or shall transport any liquid fuels, motor-vehicle fuels or special fuels exceeding 500 gallons in amount, for any distance exceeding 25 miles within this state, shall render a written report, under oath, to the director, on forms prescribed and furnished by the director, of all such transportation of liquid fuels, motor-vehicle fuels or special fuels so made to or from points within this state. Every such report shall cover a period of one calendar month and shall be rendered to the director on or before the 15th day of the month succeeding the month covered by such report, and shall show the true name and address of the consignor and the consignee, and if delivery has been to some person other than the original consignee, the name and address of the person to whom delivery was actually made, the date and the point of delivery, and the name and the number of gallons of the liquid fuels, the motor-vehicle fuels or the special fuels delivered. If such transportation was by tank car, such report shall also show the number and initials of each tank car, if such transportation was by motor truck such report shall show the motor and license number of each truck, and if such delivery was made by any other means the report shall show the manner in which such transportation and delivery was made; such records and reports are required pursuant to the police and taxing powers of this state for the purpose of promoting the public health and safety and of aiding in the administration of the tax on motor-vehicle fuels or special fuels.

Every carrier or other person transporting motor-vehicle fuel or special fuel by tank car, tank truck or trailer from a refinery, place of manufacture or production, or pipeline terminal, or importing motor-vehicle fuel or special fuel into this state by tank car, tank truck or trailer for use, sale, or delivery in the state of Kansas shall carry a manifest on forms prescribed, prepared and furnished by the director or on forms furnished by the manufacturer, refiner or terminal operator and approved by the director showing the date of the use, sale, or delivery, the purchaser and the purchaser's address, the point of delivery, the product type or types and the quantity sold corrected to 60 degrees Fahrenheit, the means of delivering, including the license number, if any, liquid-fuels carrier's license number, and other number and description of such tank car, tank truck or trailer. Any manifest, bill of lading, shipping paper or invoice for special fuel which is indelibly dyed in accordance with regulations prescribed pursuant to 26 U.S.C. 4082 shall include the statement "DYED DIESEL FUEL, NONTAXABLE USE ONLY, PENALTY FOR TAXABLE USE." Every person receiving motor-vehicle fuel or special fuel or any part of the same shall receipt at the place provided on such manifest for the quantity received by such person. The director may prescribe the

number of copies of such manifest and the manner and time of delivering the same to the director, ports of entry, or other disposition of copy by the carrier, consignor, consignee, distributor, or other person in any manner connected with or dealing with such shipment.

For the period July 1, 1995 through June 30, 1996, the point of delivery referred to in this section shall include at a minimum the city and state of actual delivery. On and after July 1, 1996, the point of delivery referred to in this section shall include at a minimum the address, city and state of actual delivery. The facility number issued by the Kansas department of health and environment, authorized under K.S.A. 65-34,100 et seq., and amendments thereto, may be substituted in lieu of the point of delivery.

History: L. 1933, ch. 317, § 16; L. 1939, ch. 330, § 13; L. 1992, ch. 106, § 15; L. 1995, ch. 262, § 37; July 1.

[Kansas State Capitol - 10th and Jackson - Topeka, Kansas 66612](#)

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STATE OF KANSAS



KANSAS DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY OF TRANSPORTATION

E. Dean Carlson
Secretary of Transportation

Docking State Office Building
915 SW Harrison Street, Rm. 730
Topeka, Kansas 66612-1568
Ph. (785) 296-3461 FAX (785) 296-1095
TTY (785) 296-3585

Bill Graves
Governor

March 8, 1999

Mr. John Horsley
Executive Director
American Association of State
Highway & Transportation Officials
444 N. Capitol St., N.W., Suite 249
Washington, D.C. 20001

Dear Mr. Horsley:

I am responding to your letter regarding the Survey of State Officials Who Furnish Motor-Fuel Data to the Federal Highway Administration.

The Kansas Department of Transportation has received this survey and will coordinate a response with the Kansas Department of Revenue. We anticipate returning the completed survey to you by the March 19, 1999 target date.

Please let me know if I can be of additional assistance or you may contact Mr. James Tobaben, Chief of Transportation Planning at (785) 296-3841.

Sincerely,

E. Dean Carlson
Secretary of Transportation

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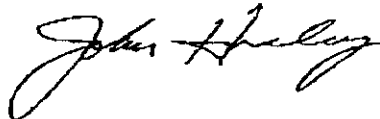
73

We ask that you send the completed Survey to "davidc@aaashto.org", or send it by fax to 202-624-5806, or mail it to the following address:

American Association of State Highway and Transportation Officials
Attention: AASHTO/FTA Motor Fuel Survey
444 North Capitol Street N.W. Suite 249
Washington, D.C. 20001

Your reply is requested by Friday, March 19, 1999. The survey summary and results will be shared with States.

Very truly yours,



John Horsley
Executive Director

Attachment

Post-it® Fax Note	7671	Date	3/19	Adj. Pages	10
To	David	From	John Rosales		
Co./Dept.		Co.	KDOT		
Phone #		Phone #	785-296-0343		
Fax #	202-624-5806	Fax #	785-296-0963		

Survey of State Members that Furnish Federal Highway Administration Motor-Fuel Data

General

In general, the terms and underlying assumptions in this Survey are the same as those in FHWA's Guide to Reporting Highway Statistics (March 1997). This publication can be accessed on FHWA's Office of Highway Information Management's (OHIM) Web Site <http://www.fhwa.dot.gov/ohim/ghwystat.htm>.

As a result of legislated formulas in TEA-21 legislation, billions of dollars annually in Federal transportation assistance now rely on State-reported motor-fuel or Highway Trust Fund contributions attributed based on State-reported motor-fuel. These formulas apply to Federal Surface Transportation Program funds, National Highway System funds, Interstate Maintenance funds, and Minimum Guarantee funds. The legislated formulas are contained in Section 1103 and Section 1104 of that legislation, which may be accessed under FHWA's Web Site <http://www.fhwa.dot.gov/Transportation Equity Act for the 21st Century>.

The survey is developed to gather information first by fuel type and next by use type. Recognizing that many of the States will not be able to provide much of the detail, it attempts to gauge States' ability to meet FHWA requests for this data. Not wishing to unduly burden the State data providers, FHWA recognizes that it may be necessary to model some of this data, or to modify what data is requested from the States.

Please note that there is a "Remarks" section where answers may be further explained. This includes explanations of "no" answers such as degree of State effort included to furnish data, or the potential for State effort included to furnish data, or the potential for State to furnish releasable estimate where no tax based data is available.

Motor Fuel Type: Gasoline

1. Highway Use - Is your State able to furnish FHWA tax-based data for gasoline fuel used on highways for:

	Y	N
a. Private use	—	X
b. Commercial use	—	X
c. U.S. Government use	—	X
d. State Government use	—	X
e. County Government use (excluding public schools)	—	X
f. Municipal Government use (excluding public schools)	—	X
g. Public school use	X	—

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Remarks (i.e., explanation of "no" answers - degree of State effort involved to furnish data where answers are now "no", potential for providing reliable estimates etc.)

Gasoline data comes directly from the Distributors' monthly tax returns. At this time we are not able to distinguish use by the sectors indicated above. At this time there is no plan to either collect this data or attempt to estimate.

2. Off-Highway Use (Agriculture, aviation, industrial and commercial, construction, marine, and miscellaneous) - Is your State able to furnish FHWA tax-based or otherwise statistically sound data for gasoline fuel used off-highways for:

	Y	N
a. Private use	X	—
b. Commercial use	X	—
c. U.S. Government use	—	X
d. State Government use	X	—
e. County Government use (excluding public schools)	X	—
f. Municipal Government use (excluding public schools)	X	—
g. Public school use	X	—

Remarks (i.e explanation of "no" answers - degree of State effort involved to furnish data where answers are now "no", possibility of reliable estimates etc.)

This data is taken from applications for refunds.

3. Loss Allowances - Is your State able to furnish FHWA tax-based data for flat - percent gasoline losses for:

	Y	N
a. Private use	—	X
b. Commercial use	—	X
c. U.S. Government use	—	X
d. State Government use	—	X
e. County Government use (excluding public schools)	—	X
f. Municipal Government use (excluding public schools)	—	X
g. Public school use	—	X

Remarks (i.e explanation of "no" answers - degree of State effort involved to furnish data where answers are now "no", potential for providing reliable estimates etc.)

At this time there is no plan to begin collecting this data or to attempt to estimate losses by the sectors indicated above.

4. If yes, what percent is used for losses? _____

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5. Actual Losses - Is your State able to furnish FHWA tax-based data for actual gasoline losses for:

	Y	N
a. Private use	—	X
b. Commercial use	—	X
c. U.S. Government use	—	X
d. State Government use	—	X
e. County Government use (excluding public schools)	—	X
f. Municipal Government use (excluding public schools)	—	X
g. Public school use	—	X

Remarks (i.e explanation of "no" answers - degree of State effort involved to furnish data where answers are now "no", potential for providing reliable estimates etc.)

At this time there is no plan to collect this data or to attempt to estimate losses by the indicated sectors.

6. If yes, what percent is used for losses? _____

Motor Fuel Type: Gasohol

7. 5.7 - 7.7 Percent Highway Use - Is your State able to furnish FHWA tax-based data for gasohol fuel whose alcohol content is at least 5.7 percent but less than 7.7 percent used on highways for:

	Y	N
a. Private use	—	X
b. Commercial use	—	X
c. U.S. Government use	—	X
d. State Government use	—	X
e. County Government use (excluding public schools)	—	X
f. Municipal Government use (excluding public schools)	—	X
g. Public school use	—	X

Remarks (i.e explanation of "no" answers -- degree of State effort involved to furnish data where answers are now "no", potential for providing reliable estimation etc.)

While it might be possible to estimate gross volume with an alcohol content between 5.7% and 7.7%, at this time there are no plans to estimate use by sector indicated above and by alcohol content.

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8. 7.7 - 10 Percent Highway Use - Is your State able to furnish FHWA tax-based data for gasohol fuel whose alcohol content is at least 7.7 percent but less than 10.0 percent used on highways for:

	Y	N
a. Private use	—	X
b. Commercial use	—	X
c. U.S. Government use	—	X
d. State Government use	—	X
e. County Government use (excluding public schools)	—	X
f. Municipal Government use (excluding public schools)	—	X
g. Public school use	—	X

Remarks (i.e explanation of "no" answers -- degree of State effort involved to furnish data where answers are now "no", potential for providing reliable estimation etc.)

See response to question #7.

9. 10 Percent Highway Use - Is your State able to furnish FHWA tax-based data for gasohol fuel whose alcohol content is at 10.0 percent or more used on highways for:

	Y	N
a. Private use	—	X
b. Commercial use	—	X
c. U.S. Government use	—	X
d. State Government use	—	X
e. County Government use (excluding public schools)	—	X
f. Municipal Government use (excluding public schools)	—	X
g. Public school use	—	X

Remarks (i.e explanation of "no" answers -- degree of State effort involved to furnish data where answers are now "no", potential for providing reliable estimation etc.)

See response to question #7.

10. Off-Highway Use - Is your State able to furnish FHWA tax-based data for gasohol fuel used off-highways for:

	Y	N
a. Private use	X	—
b. Commercial use	X	—
c. U.S. Government use	—	X
d. State Government use	X	—

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- | | | |
|--|----------|---|
| e. County Government use (excluding public schools) | <u>X</u> | — |
| f. Municipal Government use (excluding public schools) | <u>X</u> | — |
| g. Public school use | <u>X</u> | — |

Remarks (i.e explanation of "no" answers - degree of State effort involved to furnish data where answers are now "no", potential for providing reliable estimation etc.)

Data is compiled from applications for refunds.

11. Loss Allowance - Is your State able to furnish FHWA tax-based data for flat - percent actual gasohol losses for:

- | | Y | N |
|--|---|----------|
| a. Private use | — | <u>X</u> |
| b. Commercial use | — | <u>X</u> |
| c. U.S. Government use | — | <u>X</u> |
| d. State Government use | — | <u>X</u> |
| e. County Government use (excluding public schools) | — | <u>X</u> |
| f. Municipal Government use (excluding public schools) | — | <u>X</u> |
| g. Public school use | — | <u>X</u> |

Remarks (i.e explanation of "no" answers -- degree of State effort involved to furnish data where answers are now "no", potential for providing reliable estimation etc.)

At this time there is no plan to begin collecting this data or to estimate losses by the sectors indicated above.

12. If yes, what percent is used for losses? _____

13. Actual Losses - Is your State able to furnish FHWA tax-based data for actual gasohol losses for:

- | | Y | N |
|--|---|----------|
| a. Private use | — | <u>X</u> |
| b. Commercial use | — | <u>X</u> |
| c. U.S. Government use | — | <u>X</u> |
| d. State Government use | — | <u>X</u> |
| e. County Government use (excluding public schools) | — | <u>X</u> |
| f. Municipal Government use (excluding public schools) | — | <u>X</u> |
| g. Public school use | — | <u>X</u> |

Remarks (i.e explanation of "no" answers - degree of State effort involved to furnish data where answers are now "no", potential for providing reliable estimates etc.)

At this time there is no plan to begin collecting this data or to estimate losses by the sectors indicated above.

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Motor Fuel Type: Diesel

International Fuel Tax Agreement (IFTA) Diesel Data

14. IFTA - Is your State currently reporting net interstate motor-carrier (excluding refunds to other States) data under IFTA agreement?

Y N
X

Remarks (i.e explanation of "no" answers, what work would be involved to get data where answers "no")

Non-International Fuel Tax Agreement (IFTA) Diesel Data

15. Highway Use - Is your State able to furnish FHWA tax-based data for diesel fuel used on highways for users not covered by International Fuel Tax Agreements:

	Y	N
a. Private use	<u> </u>	<u>X</u>
b. Commercial use	<u> </u>	<u>X</u>
c. U.S. Government use	<u> </u>	<u>X</u>
d. State Government use	<u> </u>	<u>X</u>
e. County Government use (excluding public schools)	<u> </u>	<u>X</u>
f. Municipal Government use (excluding public schools)	<u> </u>	<u>X</u>
g. Public school use	<u> </u>	<u>X</u>

Remarks (i.e explanation of "no" answers - degree of State effort involved to furnish data where answers are now "no", potential for providing reliable estimates etc.)

At this time there is no plan to collect this data
or to estimate by the sectors indicated above.

16. Off-Highway Use - Is your State able to furnish FHWA tax-based data for diesel fuel used off-highways for:

	Y	N
a. Private use	<u> </u>	<u> </u>
b. Commercial use	<u> </u>	<u> </u>
c. U.S. Government use	<u> </u>	<u> </u>
d. State Government use	<u> </u>	<u> </u>
e. County Government use (excluding public schools)	<u> </u>	<u> </u>
f. Municipal Government use (excluding public schools)	<u> </u>	<u> </u>
g. Public school use	<u> </u>	<u> </u>

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Remarks (i.e explanation of "no" answers - degree of State effort involved to furnish data where answers are now "no", potential for providing reliable estimates etc.)

We are able to provide the requested information for
clear diesel but not for dyed diesel.

17. Loss Allowances - Is your State able to furnish FHWA tax-based data for flat - percent diesel losses for:

	Y	N
a. Private use	—	X
b. Commercial use	—	X
c. U.S. Government use	—	X
d. State use	—	X
e. County use (excluding public schools)	—	X
f. Municipal use (excluding public schools)	—	X
g. Public school use	—	X

Remarks (i.e explanation of "no" answers, what work would be involved to get data where answers "no") At this time there is no plan to begin collecting
this data or to estimate losses for the sectors
listed above.

18. If yes, what percent is used? _____

19. Actual Losses - Is your State able to furnish FHWA tax-based data for actual diesel losses for:

	Y	N
a. Private use	—	X
b. Commercial use	—	X
c. U.S. Government use	—	X
d. State Government use	—	X
e. County Government use (excluding public schools)	—	X
f. Municipal Government use (excluding public schools)	—	X
g. Public school use	—	X

Remarks (i.e explanation of "no" answers - degree of State effort involved to furnish data where answers are now "no", potential for providing reliable estimates etc.)

At this time there is no plan to begin collecting this
data or to estimate losses for the sectors
listed above.

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Motor Fuel Type: Other

20. Highway Use - Is your State able to furnish the number of gallons used on public highways the following other fuels:

	Y	N
a. Liquefied Petroleum Gas (LPG)	<u>X</u>	—
b. Liquefied Natural Gas (LNG)	<u>X</u>	—
c. Neat alcohol (85% alcohol)	<u>X</u>	—
d. Compressed natural Gas (CNG)	<u>X</u>	—
e. Kerosene	<u>X</u>	—

Remarks (i.e explanation of "no" answers - degree of State effort involved to furnish data where answers are now "no", potential for providing reliable estimates etc.)

21. Extent of Other Fuels - If "yes" answers were provided to questions 19, approximately what percentage of total motor-fuel used on highways would be included under these other fuel? (Check one)

a. Less than one percent X
b. One - five percent
c. More than five percent

22. Native Americans - Is your State currently reporting motor-fuel purchased on Native American Reservations?

	Y	N
a. Gasoline	<u>X</u>	—
b. Diesel	<u>X</u>	—
c. Gasohol	<u>X</u>	—

Remarks (i.e explanation of "no" answers - degree of State effort involved to furnish data where answers are now "no", potential for providing reliable estimates etc.)

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Please note that the Department is not unwilling to estimate the data specified in the survey. If reasonable methods for estimation are found, the Department will comply (B2)

Survey Respondent Information

Please list the name(s) etc. of persons completing this survey and who may be contacted to provide further information on survey responses:

Name Dedra Platt & Janet Buchanan

Title _____

Organization Kansas Department of RevenueStreet Address 915 SW Harrison St.City, State, Zip Topeka, KS 66612-1588

E-Mail _____

Date 3-17-99

When completed, please forward three copies of the survey by March 19, 1999 to:

American Association of State Highway and Transportation Officials
Attention: Motor Fuel Survey
444 North Capitol Street, N.W., Suite 249
Washington, D.C. 20001

or

E-mail: "davidc@ashto.org"

145-11

(83)

INFORMATION: State Motor-Fuel Survey

February 19, 1999

Barna Juhasz (Original signed by)
Director, Office of Highway Policy Information

HPPI-10

FHWA Division Administrators

Attached for your information is a copy of the Survey of State Members that Furnish the Federal Highway Administration Motor-Fuel Data (Attachment A). This survey is being conducted by the American Association of State Highway and Transportation Officials (AASHTO) and the Federation of Tax Administrators and is being sent to the executive level, as well as the staff level for survey response. The name of the staff-level respondent in your State is shown in Attachment B.

This survey resulted from one of the recommendations made last year by the Motor-Fuel Reporting Information Committee (committee) which is assisting FHWA in improving the motor-fuel reporting system. The survey results will provide the committee and FHWA with a better gauge of State motor-fuel reporting capabilities. Based on this and other input, FHWA will be better able to request and collect from the States more accurate and uniform motor-fuel data and improve its own analysis and attribution of this data. Ultimately, the improved motor-fuel procedures will be included in a future version of FHWA's *A Guide to Reporting Highway Statistics*. Under TEA-21, motor-fuel is an apportionment factor for about \$10.8 billion in FY 1999 Federal-aid funds. This includes motor-fuel as a direct factor, as well as a factor used to attribute Highway Trust Fund receipts.

We are bringing this survey to your attention because of the data's importance to FHWA in apportioning funds to the States and because of the importance of your division's role in working with the States on this matter. Please note that State responses are due to AASHTO by March 19.

If at anytime you need to discuss this matter, please contact me or Tom Howard at (202) 366-0180.

Attachments

ATTACHMENT A**Survey of State Members that Furnish Federal Highway Administration Motor-Fuel Data**

In cooperation with the American Association of State Highway and Transportation Officials (AASHTO) and the Federation of Tax Administrators (FTA), the Federal Highway Administration (FHWA) undertook a review of its current motor-fuel data reporting structure and issues. A group of representatives from 10 States, including Revenue and Transportation Departments and FHWA field and Headquarters staff are participating in this effort. The group is titled the Motor Fuel Reporting Information Committee (the Committee). The first meeting of the group took place December 10-11, 1998, in Washington, D.C. Mr. Nicholas L. Graf, FHWA's North Carolina Division Administrator, is chairing the Committee.

To improve motor-fuel data reporting, the Committee recommended a survey of the States to gauge State capability to report that data to the Federal Highway Administration (FHWA). A Survey Subcommittee with State members from Florida, New York, and Texas agreed to undertake the survey effort.

All States currently report motor-fuel data to FHWA. States differ in their motor-fuel information programs, and some variations in State data reporting and quality exist. These variations are generally believed to be minor and adjusted by FHWA in accordance with instructions in *A Guide to Reporting Highway Statistics (Guide)* to increase State-to-State uniformity and consistency. However, the increased amount of Federal funds relying on motor-fuel as Federal funds apportionment factor under TEA-21 suggest that maximum effort to improve data quality be made in the area of State motor-fuel reporting.

Each State is requested to complete the following questionnaire. As a result of the information you provide, the Committee will be better able to advise FHWA on the reporting guidance it places on the States. After consultation with the committee and other deliberations, revised guidance may be published in FHWA's *Guide* or revisions to the *Guide*.

We ask that you send the completed Survey to "davidc@aaashto.org" or mail us three copies of material to the following address:

American Association of State Highway and Transportation Officials
Attention: AASHTO/FTA Motor Fuel Survey
444 North Capitol Street N.W., Suite 249
Washington, D.C. 20001

Your reply is requested by Friday, March 19, 1999. Survey summary and results will be shared with States.